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STRATEGY OF SME'S DEVELOPMENT IN INDUSTRY AND ENGINEERING

After Ukrainian war it is essential to renovate industry in occupied regions. The purpose of the article is to develop strategy of industry and engineering (the I&E) at the regional level and ground of SMEs' mission in the industry. Study considers results of interview and focus group. Study of business activity of SMEs and justification of results from the strategy implementation bases on eight elements. Mission, Model, Market, Moment, Men, Machinery, Materials, Money. Mission of SMEs has been changed from planning-oriented to customer-oriented approach during time of Ukrainian independency. Today, numerous entrepreneurs have lost their assets because of occupation. The novelty of the article is revealing the crucial which influence on the eight business elements (8M). Almost all enterprises that produced products have problems entering and maintaining positions in the foreign market, regardless of the strategic vector of foreign economic activity. Recognition of the best companies, international product certification, registration in international professional associations will allow SMEs to improve their position in the foreign market. SMEs use contemporary technologies and equipment of the 70s and 80s of the last century at the same time. The main personnel problems of the region are the outflow of personnel abroad, aging personnel, and intense competition between enterprises in the labor market. The main conditions for opening and activating a business for women are social guarantees from the government, supplementary social working conditions, and security of business activities. Based on the analysis, the strategy of industry of development have four vectors such as Technological progress in value-added chains, Qualified staff and prestigious work, Cooperation of enterprises and stakeholders in value-added chains, Entry and strengthening positions at foreign markets.

Keywords: *strategy, contemporary technologies, foreign market, Qualified staff, Cooperation of enterprises, Model 8M*

JEL classification: *F16, J24, O31*

Після війни в Україні необхідно відновити промисловість окупованих територій. Метою статті є розробка стратегії промисловості та машинобудування (I&E) на регіональному рівні та обґрунтування місії МСП у галузі. Дослідження базувались на результатах проведених інтерв'ю та фокус-групи. Дослідження ділової активності МСП та обґрунтування результатів реалізації стратегії базується на восьми елементах: Місія, Модель, Ринок, Момент, Люди, Машини, Матеріали, Гроші. За час незалежності України місія малого та середнього бізнесу була змінена з підходу, орієнтованого на планування, на підхід, орієнтований на клієнта. Сьогодні багато підприємців втратили свої активи через окупацію. Новизна статті полягає в розкритті вирішального впливу на вісім елементів бізнесу (8М). Практично всі підприємства, які виробляли продукцію, мають проблеми з виходом і утриманням позицій на зовнішньому ринку, незалежно від стратегічного вектора зовнішньоекономічної діяльності. Визнання кращих компаній, міжнародна сертифікація продукції, реєстрація в міжнародних професійних асоціаціях дозволять МСП покращити свої позиції на зовнішньому ринку. МСП одночасно використовують сучасні технології та обладнання 70-80-х років минулого століття. Основними кадровими проблемами області є відтік кадрів за кордон, старіння персоналу, гостра конкуренція між підприємствами на ринку праці. Основними умовами відкриття та активізації бізнесу для жінок є соціальні гарантії з боку держави, додаткові соціальні умови праці та безпека підприємницької діяльності. Виходячи з аналізу, стратегія розвитку галузі має чотири вектори, такі як Технологічний прогрес у ланцюгах доданої вартості, Кваліфікований персонал і престижна робота, Співпраця підприємств та зацікавлених сторін у ланцюгах доданої вартості, Вихід і зміцнення позицій на зовнішніх ринках.

Ключові слова: стратегія, сучасні технології, зовнішній ринок, кваліфікований персонал, кооперація підприємств, модель 8М

JEL classification: F16, J24, O31

Statement of the problem. Zaporizhzhya region has been an essential element of economics since independence of Ukraine, especially metallurgy and Agricultural and Food machinery. During financial crisis and war conflict deterioration of economical state caused labor migration, purchasing power decline, SMEs' material loses, and deterioration of the social depreciation. Essence of such issues is a lack of relations between stakeholders in value-added chains in the I&E. There aren't direct connections between suppliers, producers and companies of services. Enterprises of finished products aimed for export, while companies, repairing and recovering machines or equipment, buy spare parts abroad. Nevertheless, SMEs have low production potential, which should have been sufficient to compete on a global market because of lack of knowledge about export entry model, noncompliance of goods to modern market requirements, absence of certificate for goods, underdeveloped transport system, and limited production of value-added products.

Analysis of the latest research and publications

Significant contributions to the studies of the development of small and medium-sized enterprises have been made by the following national researchers: A. Batir [5], K. Boichenko [4], P. Brin [1], Yu. Holtvyanska [1], H. Dybenko [2], A. Revutska [2], H. Shvydanenko [4], L. Shenderivska [5].

The majority of publications that address issues of small entrepreneurship focus on the examination of individual aspects such as social, legal, financial, etc. However, the coverage of certain important matters remains general in nature,

which does not allow for a deep and comprehensive characterization of the development of managing the potential of small businesses as a significant and independent sector of the economy.

Foreign scientists: Obi J.[9], Ibidunni A.S. [9], Tolulope A. [9], Olokundun, M.A. [9], Amaihian, A.B. [9], Borishade, T.T. [9], Neagu C. [10] argue that small and medium enterprises (SMEs) are a noteworthy driver of economic development [1], being vital to most economies across the world, particularly in developing and emerging nations [2].

Highlighting previously unresolved parts of the general problem, to which the specified article is devoted. After Ukrainian war it is essential to renovate industry in occupied regions. Information about current position of SME's is an crucial to develop forthcoming strategy of industry. The article reveals the practical cases such as lack in knowledges of employers, practical skills in employees; financial depth, and outdated technologies.

Formulation of the goals of the article (statement of the task). The purpose of the article is to develop strategy of industry and engineering (the I&E) at the regional level and ground of SMEs' mission in the industry. The research is based on evaluation of market factors influence on results of the I&E, and potential impact on value added chains improvement. Study considers results of interview and focus group. Study of business activity of SMEs and justification of results from the strategy implementation bases on eight elements. Mission, Model, Market, Moment, Men, Machinery, Materials, Money. Primary database of enterprises is based on data of codes of economic activity. 50 producers, 12 representatives of state institutions, consulting centers, educational institutions, and chambers of commerce took part in questionnaire and focus group.

Mission of SMEs has been changed from planning-oriented to customer-oriented approach during time of Ukrainian independency. For today, small and middle enterprises eager to set strong economic relations with consumers. They do it due to proposition of extra services and individual order for clients. SMEs of the region present themselves as producers, who propose quality products on competitive prices and may make an individual order for a client's request. A significant part of enterprises has a middle size and about 50-250 workers. It is essential to emphasize that micro-enterprises do not activate in the I&A because full-cycle production and distribution system requires staff with more than five workers at an enterprise. Most micro-business provide services in engineering and design, have limited variety, and operate in the B2C market. The main competitive advantages are the introduction of their innovations and the formation of individual orders. Companies in Zaporizhia have an opportunity to generate added value through the use of robotic welding and 3D modeling product design. Most companies use outdated software in the design and programming of technological processes due to financial constraints and the lack of staff who can use such programs.

The fundamental business model is a proposition of goods and services in the B2B market. SMEs do not have information about potential clients and other competitors in the region; therefore, it limits their possibilities to create added value for products. Outmoded business technologies and lack of knowledge in current software exploitation restrain economic development

in the Azov region. Nearly all SMEs collect information about clients in Excel, received it from accounting reports, and replenished it untimely.

SMEs have experience in selling products to state organizations through tenders. SMEs in Zaporizhzhya oblast use such a model when they propose services and engineering. SMEs from Donetsk oblast sell their products to ports and state organizations for construction and renovation. Business owners from Mariupol emphasize that tenders are opaque.

Big and middle enterprises may provide full-cycle production. SMEs in Melitopol has foundry, smithy, and welding. Integration of SMEs is stagnant, which cues negative effect on the development of the value-added chains. Despite the existence of clusters, SMEs do not want to unite because of distrust about borrowing ideas and customer base by other members of such an association. It is necessary to implement cybersecurity of information and database within united companies. The majority of enterprises compete by prices, comparing with competitors when they form an individual order. It is essential to activate training for managers about how to use modern approaches to price formation.

SMEs in the region give preference to logistic operational services rather than to post-operational services. During negotiation, SMEs offer services to form an individual order, improve quality according to consumer requests, package, and deliver goods. Nevertheless, only 30% of enterprises provide post-operational services such as the creation of additional features of the equipment, repair, and consultation about exploitation. It is necessary to develop an organization in the region that could provide post-operational services.

Because of the high demand for workers, enterprises have been organizing workshops to train blue-collar occupations. During a focus group, managers in Mariupol noted that retrained workers remain to work for no more than a year. The main goal of such workers is to learn the basic skills for working abroad. Incentives should be introduced to retain young people in the region and reduce migration.

34% of enterprises are going to distribute goods only on the domestic market. Such enterprises do not have experience in exporting, or they have sold products at a Post-soviet platform. Enterprises usually explain their mission in providing post-operational services, warranties, and repairs of delivered goods. Management of enterprises are familiar with the competitive marketing environment and are not planning to enrich business radically.

Almost all enterprises that produced products have problems entering and maintaining positions in the foreign market, regardless of the strategic vector of foreign economic activity. The main barriers to entering the foreign market are considered to be non-compliance with standards and requirements of foreign partners, the use of outdated technologies for production, and the presence of a large number of competitors in the exporting country.

In the I&E, time influences significantly economic results in SMEs. It consists of a time of business operation, work experience of managers and workers, a period of exploitation of equipment and machinery, a time of order formation, and a possible quick reaction for marketing changes.

There is gradual aging of staff in the I&E. The crucial reason for further restriction of the I&E is noted to be the labor flow of young workers looking for

a job abroad. SMEs, where young managers lead a technological process, get an additional income from educational services and R&D. The majority of enterprises do not imply principles of agile project management. The reason is unsuitability to rapid changes of staff qualification, renovation of equipment and machinery, and lack of sufficient experience and information on innovation implementation. Most managers are unaware of the use of Lean Production and Kaizen. SMEs do not make long-term plans of product flows and forecast their business on existing contracts and negotiations. It is necessary to introduce training of business owners on how to use current systems of agile management.

SMEs use contemporary technologies and equipment of the 70s and 80s of the last century at the same time. The reasons for the slow renewal of production are the lack of available financial resources and restrictions on the existing specialists in the region for the use and programming of equipment with digital technologies. This situation directly affects the further development and operation of enterprises in the I&E. About 14% of enterprises plan to either close or reorient their business to another industry in 2021.

The main personnel problems of the region are the outflow of personnel abroad, aging personnel, and intense competition between enterprises in the labor market. There is a staff shortage in the Azov region for digital marketing specialists, IT specialists, and CNC machine programming specialists. Working professions are not prestigious among young people. The main reason why young people are involved in work is the confidence not to lose their jobs. Young workers are detained at the company because of financial stability, which provides them with a guarantee of wages. Young people pay attention to working conditions (social conditions, paid leave, sick leave) and the opportunity to occupy various professions. Such criteria make the workplace more attractive and comfortable. It is necessary to improve social infrastructure in enterprises and occupational safety in a pandemic.

It is necessary to stimulate the work of social groups (people with disabilities, women, retirees) to attract additional staff to the I&E. The main conditions for opening and activating a business for women are social guarantees from the government, supplementary social working conditions, and security of business activities. Women's counseling on doing business, psychology of working with partners, negotiating, mechanisms of work in stressful circumstances will be relevant. The introduction of digital technologies in production and sales will involve women and people with special needs. From this point of view, training on programming and the use of digital technologies in production will be appropriate.

The crucial issue of the development of value-added chains is the renovation of the technological system in the I&E. Majority of enterprises use a few operation processes to form added value (design and production, production and outsourcing, production and research, providing services, and monitoring). However, a market requires extra features of final goods and services.

Technological processes at enterprises are mechanized and automated, and monitoring and marketing are digitalized. 79% of small companies use manual labor on technological belts due to the high costs of workplace creation with modern automated or digital equipment. The investment cost to create a workplace (including the cost of purchasing software) in production ranges from

20-40 thousand dollars. However, workplaces in a sales department cost from 1 to 3 thousand dollars. This situation explains the low activity of enterprises, which might participate in grants of workplace creation, which does not exceed 7 thousand dollars.

Implementation of modern technological solutions will balance out-line and off-line monitoring, increase the quality and accuracy, provide flexible management in the development of value-added chains. Today, not all companies use modern approaches to Internet marketing. The situation might be remedied in the short term by holding seminars for sales managers.

Enterprises plan to apply current digital technologies such as AI to talk to customers and AR to implement it on exhibitions and industrial parks. However, companies do not see opportunities to use Industry 4.0 approaches in production. Modernization and automation of technological lines are adequate for enterprises today. In the future, it is necessary to take into account measures to introduce Industry 4.0 in companies.

The region has inflated energy prices and limited capacity to install additional electricity. There is a threat of business closure with a further increase in energy prices. It is important to implement systems for monitoring the capacity and volume of electricity supply.

Shortly, companies plan to purchase new equipment to create supplementary technological processes. The central purpose of modernization is to form the added value of products and sales. Digitization of production processes, order formation, transportation is at an early stage. Business principles need radical changes with a help of the study of the best practices of partners abroad (business tours, round tables, internships of managers and workers, short-term training).

Production performance is different by industries and regions. In Zaporizhzhaska oblast, the maximum income is in metallurgy and production of final metal products (814 thousand hryvnias per one worker in a year). The minimum volume of distribution is in the production of furniture and repair and installation of machines and equipment (69.3 thousand hryvnias per one worker in a year). In Donetsk oblast, the maximum income is in metallurgy and production of final products (2.6 billion hryvnias per one worker in a year).

The strategy has four vectors of I& E development. Mission – is positioning of SMEs as an joined group of enterprises, which offer competitive goods and services of I&E in internal and external markets. SMEs propose competitive goods in a market, which have value features, supply additional service and give a guaranty of usage final goods.

Technological progress in value-added chains

Solving the problems of registration and doing business, introducing an efficient system of resource use, intensifying the mechanism of entering the foreign market, and introducing a progressive consulting hub is the basis for improving the technological process in SMEs.

The region has all the conditions for officially registered business (advisory hubs will be created, a simplified procedure for registration and doing business using digital technologies, an open platform for disseminating information about the main stakeholders in the industry with their consent).

Due to the use of natural resources efficiently, Lean production has been introduced that includes procedures for automating the processes of monitoring the use of resources. Innovation voucher has been implemented, and the use of alternative energy sources has been motivated. The regions will focus on the development of environmentally friendly production and improvement of the natural environment.

The essential long-term goal is the gradual introduction of digitalization processes in SMEs. Cybersecurity will be introduced and disseminated with a help of familiar instruments of communications (within consulting hubs, clusters, consolidated enterprises). Continuous retraining of SME workers and managers for software exploitation will increase productivity and provide value-added goods or services.

Qualified staff and prestigious work

Training of personnel and management of SMEs will be developed to meet the human resources potential of modern market requirements to create value-added products. Due to address the issue of staff shortages, social segments of the population will be involved.

Education in vocational and higher education institutions needs to be modernized. Educational programs will be adapted to the requests of employers to meet the existing labor requirements and acquire professional skills. Competitions, professional awards, scholarships, and grants will be developed to stimulate training in working professions. Business incubators, hackathons, and professional competitions will motivate the development of entrepreneurship.

Training performance of employees will be based on the monitoring of knowledge, customer requirements, and the current market environment. The workers of the enterprises will undergo industrial training at partner factories abroad to enter the export markets.

The concept of the prestige increasing of working professions is to attract students to the industry through interactive platforms, competitions, tours, promotion of the best companies in the region. Robotics courses, STEM schools, interactive museums, cities of professions will promote professions among students and preschool children.

Cooperation of enterprises and stakeholders in value-added chains

Partnerships between SMEs in the region will create a favorable competitive environment. Enterprises will be integrated depending on their export vector and location geography. Clusters of SMEs will start operating in the Azov region as a group, where they will be able to produce a value-added product and form a consolidated order for a foreign client. Established relations between all stakeholders of value chains (government agencies, international organizations, consulting agencies, industrial parks) will form an effective, open, and transparent interaction within the region.

Forums, round tables, and seminars on topical issues of the industry will be organized to support partnerships. SME representatives will take part in international exhibitions and business tours. Measures will be taken to create value-added products in other economic areas, develop new innovative goods and services, and strengthen the role of SMEs at the regional level in the I&E.

The activity of industrial parks will create innovative preconditions for the development of new ideas and products. New technological solutions and approaches of Industry 4.0 will be actively used (digital showrooms with AR, robotics to create the value of goods, AI to explain the I&E results).

Entry and strengthening positions at foreign markets

A database of enterprises will be created, and strategic products that might be competitive in the foreign market will be identified to position SMEs as a cluster. The role of SMEs in partnerships with trade intermediaries will be strengthened. The introduction of the principles of flexible management will be a prerequisite for planning the supply of products for the long term.

A joined brand in the region will explain a unique vision of the Azov region to partners. Recognition of the best companies, international product certification, registration in international professional associations will allow SMEs to improve their position in the foreign market. Study of best business practices will give workers modern skills and strengthen international cooperation. Enhancement of the human resource management in the I&E and the formation of an open business environment will improve the investment climate in the region.

Due to the implementation of the strategic directions, export offices will monitor the financial and economic support of SMEs and will study the potential opportunities to enter new markets. Export offices will assist in finding partners, adapting the product to market conditions, logistics.

Conclusions. Zaporizhzhya region has been an essential element of economics since independence of Ukraine, especially metallurgy and Agricultural and Food machinery. SME eager to set strong economic relations with consumers. The main competitive advantages are the introduction of their innovations and the formation of individual orders. Companies in Zaporizhia have an opportunity to generate added value through the use of robotic welding and 3D modeling product design. Big and middle enterprises may provide full-cycle production. SMEs in Melitopol has foundry, smithy, and welding. Integration of SMEs is stagnant, which cues negative effect on the development of the value-added chains.

The reasons for the slow renewal of production are the lack of available financial resources and restrictions on the existing specialists in the region for the use and programming of equipment with digital technologies. The crucial issue of the development of value-added chains is the renovation of the technological system in the I&E. Majority of enterprises use a few operation processes to form added value (design and production, production and outsourcing, production and research, providing services, and monitoring).

Technological progress in value-added chains presents steps of solving the problems of registration and doing business, introducing an efficient system of resource use, intensifying the mechanism of entering the foreign market, and introducing a progressive consulting hub is the basis for improving the technological process in SMEs. Qualified staff and prestigious work have steps of training of personnel and management of SMEs will be developed to meet the human resources potential of modern market requirements to create value-added products. Due to address the issue of staff shortages, social segments of the population will be involved. Cooperation of enterprises and stakeholders in value-added chains reveals issues of partnerships between SMEs in the region. Enterprises will be integrated depending on their export vector and location geography. Entry and strengthening positions at foreign markets presents a database of enterprises as a cluster.

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After Ukrainian war it is essential to renovate industry in occupied regions. The purpose of the article is to develop strategy of industry and engineering (the I&E) at the regional level and ground of SMEs' mission in the industry. Study considers results of interview and

focus group. Study of business activity of SMEs and justification of results from the strategy implementation bases on eight elements. Mission, Model, Market, Moment, Men, Machinery, Materials, Money. Mission of SMEs has been changed from planning-oriented to customer-oriented approach during time of Ukrainian independency. Today, numerous entrepreneurs have lost their assets because of occupation. The novelty of the article is revealing the crucial which influence on the eight business elements (8M). Almost all enterprises that produced products have problems entering and maintaining positions in the foreign market, regardless of the strategic vector of foreign economic activity. Recognition of the best companies, international product certification, registration in international professional associations will allow SMEs to improve their position in the foreign market. SMEs use contemporary technologies and equipment of the 70s and 80s of the last century at the same time. The main personnel problems of the region are the outflow of personnel abroad, aging personnel, and intense competition between enterprises in the labor market. The main conditions for opening and activating a business for women are social guarantees from the government, supplementary social working conditions, and security of business activities. Based on the analysis, the strategy of industry of development have four vectors such as Technological progress in value-added chains, Qualified staff and prestigious work, Cooperation of enterprises and stakeholders in value-added chains, Entry and strengthening positions at foreign markets.

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