THE MODEL OF SUSTAINABLE PERFORMANCE OF SMALL AND MEDIUM-SIZED ENTERPRISE

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Abstract

An enterprise as a core of any economic system has a great impact on sustainable development of a state or region. Small and medium-sized enterprises (SMCs) are socially and economically important for their national economies, since they represent about *99* per cent of all active enterprises in the European Union. The importance of SMEs to the EU economy indicates a need to assess their performance in order to find appropriate performance measurement and management tools. These issues become very topical during the period of global economic recession.

Making a profit is most often mentioned as an integral goal of any enterprise. However, it should be emphasized that profit is the result of comprehensive process of the creation of added value. This process can be managed via using system approach. It means that the value maximization opportunities depend on harmonious and purposeful interactions between enterprise's separate processes or functional units.

Development of any enterprise is related to the future opportunities, risks and uncertainty. Therefore, profit making ability of an enterprise depends on managers skills to apply modern business management methods and tools. The more mature is the business activities, the higher is the probability of an enterprise to face failure. Long-term existence of an enterprise depends on its ability to utilize resources efficiently and to create profit, taking into consideration influence of business environment and its related factors. While measuring the performance of an enterprise, the company's life cycle concept should be considered as well.

The problems within an enterprise arise from improper activities, incompetence or even negligence. Performance measurement system can significantly influence and support SMEs' organizational development. Effectiveness and efficiency shall be manifested in all business processes of an enterprise. Performance evaluation should be based on the criteria associated to the field of activities of a particular enterprise and particular manufacturing technology. The system should be comprised of measures, related not only to operations, but also to organization and management of the enterprise.

Previously conducted research works in the field of performance evaluation of SMEs have not solved all the arising problems due to the specific industry issues. Besides, several disputable questions exist, for instance, whether large companies' performance measurement models can be applied for the needs of small and medium-sized enterprises. It indicates the necessity for continuation of studying the above-mentioned issues in order to find practical solutions.

The *goal of the research* is, studying the performance of SMEs and the factors affecting performance achieving, to propose performance measurement concept encouraging the sustainable development of SMEs and to suggest performance evaluation approach.

The *object of the study* is SMEs from the sub-sector of manufacturing industry in Latvia. To achieve the goal the following *research methods* were used: *quantitative and qualitative methods*, including monographic or descriptive method, analysis, synthesis method, and method of sociologies research - survey; *statistical research methods*, including grouping, comparison, analysis of relative and average indices, correlation analysis. Calculations ai}d data processing were carried out using Microsoft Excel and Eview software.

The authors create a model of sustainable performing of SMEs, using results of the empiric research, where external and internal business environment factors influencing effective performance of the enterprise and performance indicators that are to be supervised principally, according to the enterprise life cycle phases, are included. The developed model of enterprise sustainable performing has been tested in the sector of printing in manufacturing industry.

Keywords: SME, sustainable performance, model.

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