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**THEORETICAL APPROACHES  
TO THE DEFINITION OF THE ROLE, ESSENCE  
AND FUNCTIONS OF AN ENTREPRENEURSHIP  
IN THE MODERN TURBULENT ECONOMY**

***Summary***

*The current paper considers the major theoretical approaches to the formation of the modern concept of entrepreneurship. Taking into account the growing importance of entrepreneurship for the Ukrainian economy which even increased during the full-scale war, both Ukrainian sources and sources from other countries were analyzed to identify the difference between the meanings of the terms “entrepreneurship” and “business”. The historical background and major features of both meanings were identified, which enabled the author to conclude that it is appropriate to use the term "entrepreneurship" when it comes to small and medium-sized economic entities. Instead, the term "business" should be used to refer to the infrastructure, organization, and management of business activities at all levels. Also, the approaches to the concepts of "entrepreneur" and "entrepreneurship" in the works of various economic schools representatives were considered, thereof physiocrats, marginalists, the Austrian school, the neo-Austrian school of economic liberalism, and neoclassicists. The paper also represents the generalized criteria for the classification of enterprises. Keeping in mind the significant impact of entrepreneurship in various spheres of society the author summarized the functions of enterprises according to the triple bottom line concept.*

**Introduction**

Modern conditions of globalization, market openness, dynamic development of knowledge-intensive industries, artificial intelligence, automation, robotics lead to a decrease in the need for labor in some industries and countries and the creation of new business directions, as well as new non-standard solutions are needed. Entrepreneurial activity inherently involves risk and innovation, so the international community and governments of various countries recognize the need to support and develop entrepreneurship both at the global, state and local levels. In today’s turbulent world, the role of entrepreneurship is growing,

because it is entrepreneurs who are ready to take risks, accept them, adapt, and flexibly respond to changes in the external environment, challenges of the competitive environment, new consumer requests, as well as create new solutions and jobs.

According to the World Bank estimates, 600 million jobs will be needed by 2030 to fill the growing global workforce due to industrial automation and population growth. Enterprises, more specifically, small and medium-sized enterprises (SMEs), can effectively perform this task. This fact makes the development of SMEs an important priority for the vast majority of countries. In emerging markets, the majority of formal jobs are created by SMEs, which create 7 out of 10 jobs [1]. In today's conditions, the population is faced with the need to create jobs in some places and independently, so the role of small and medium-sized enterprises is growing in all countries of the world. This is already a global trend.

Issues of entrepreneurship development were dealt with by foreign scientists of different periods, in particular R. Cantillion, A. Smith, Zh.B. Sei, H. Mangold, D. Ricardo, C. Marks, K. Bodeau, J. Schumpeter, E. Dolan, D. Lindsay, F. Hayek, G. Simon, J. M. Keynes, P. Samuelson, P. Drucker, I. Adizes, E. Reinert, R. Khizrych and others. Ukrainian economists began to work on aspects of entrepreneurial activity and the development of entrepreneurship. Among the leading domestic researchers are V. Bazilevich, A. Starostina, Z. Varnalii, A. Ignatiuk, N. Grazhevska, G. Geets, I. Dmitriev, V. Zubov, L. Kryvega, V. Galasyuk, I. Guzhva, Z. Gerasimchuk, I. Herchykova, V. Hrynyova, A. Kosykh, S. Reverchuk, L. Vorotina, S. Mocherny, O. Ustenko, S. Chebotar, F. Butynets, V. Podsolonko, T. Molchanova and others. However, the issue of systemic support for the development of small and medium-sized enterprises in Ukraine based on the use of theoretical approaches in the current conditions, taking into account the uneven development of regions and sectors of the economy, still remains such that it requires further development, which determines the subject matter and tasks of this monographic study.

In view of the above, the following tasks are set in this study:

- consider the genesis and approaches to defining the categories "entrepreneurship" and "business";
- to reveal the economic essence of small and medium-sized enterprises.

### **Part 1. Genesis and essence of the categories “entrepreneurship” and “business”**

In the era of rapid development of artificial intelligence, automation, and robotics, which causes a reduction in the need for labor, the role of small and medium-sized enterprises is growing in all countries of the world. For example, more than 99% of Ukrainian legal entities and individual entrepreneurs belong

to small and medium-sized businesses, creating more than 80% of jobs among all business entities [2, p. 5]. In the Ukrainian scientific literature, the legislative base does not clearly distinguish the concepts of small and medium entrepreneurship and small and medium business. Therefore, let's define the connection between the concepts of "business" and "entrepreneurship". In a positive context, both concepts became widely used after Ukraine gained independence in 1991. Before that, the explanatory dictionary of the Ukrainian language defined the essence of the concept of "business" as "commercial, exchange or entrepreneurial activity, as a source of profit in the capitalist world" [3, p. 179]. The concept of "entrepreneurship" was reduced to the activity of an entrepreneur [4, p. 487]. It is clear that for ideological reasons both concepts were considered negative phenomena in the social and economic life of society. The large explanatory dictionary of the modern Ukrainian language of 2005 clarifies these concepts, giving a definition of the concept of business as "economic, commercial or entrepreneurial activity aimed at obtaining profit" [5, p. 80]. Instead, the concept of "entrepreneurship" in the Dictionary is not only the activity of an entrepreneur but also "independent initiative, systematic, at one's own risk, activity in the production of products, the performance of work, provision of services and engaging in trade for the purpose of making a profit" [5, p. 962].

In the legislative base of Ukraine, the term "entrepreneurship" is more often used than "business", in particular, the Law of Ukraine "On the Development and State Support of Small and Medium-sized Enterprises in Ukraine" defines small and medium-sized enterprises, lists the main measures for its development and state support, however, in the text of the mentioned document, the term "business" is found in the context of the processes of implementation and organization of entrepreneurial activity. Instead, the main term for defining subjects of economic activity is "entrepreneurship". Today, Ukraine is integrating into the global and primarily European space, forming its own action plan in accordance with European regulations, in particular the Act on Small Business for Europe [6]. In the 2020 SME Policy Assessment Report, we see that the main term used to define business entities is also "small and medium-sized enterprises", although the word "business" appears in Europe's founding document. The described situation makes it necessary to determine the relationship between the concepts of "entrepreneurship" and "business" in order to further determine which terms to use in the current study. For this purpose, we will review the definitions of Ukrainian and foreign specialists. A preliminary review of experts' definitions made it possible to reveal that business and entrepreneurship are interrelated, but not identical, phenomena. The word "business" comes from the English language "business" and is translated as "business". In US law, business is defined as any trading activity, commercial activity, production or other, sometimes, risky activities

that by their nature can be attributed to production, trade or commerce [7]. Foreign scientists in their definitions of the concept of "business" continue the development of the legally established term. In particular, Boono, Kurtz, Wheeler note that business means any actions, activities, organizations aimed at making a profit, producing goods and providing services necessary for the economic system. At the same time, scientists note that business is an economic impulse for a nation that seeks to raise the standard of living of society. Davies and Blomstorm argue that business is primarily a social phenomenon that exerts a wide influence on the way people live and work together. Calkins continues their position, underlying the importance of business for public welfare [8].

The analyzed definitions emphasize that business is a broad term and includes all types of activities that are implemented with the intention of making a profit. It is worth noting that business involves repetitive activities, not single or isolated activities. Moreover, business involves economic activities related to the production, exchange, and distribution of goods and services. The business aims at repeated sale, and exchange of goods and services, not their consumption for personal use. Business includes a wide range of activities, such as the production of goods and services in various spheres of economic activity. Given the above, the modern concept of business is very broad. Business is considered a subsystem of the general social system. According to Davis and Blomstorm, the influence and participation of business in the ecological development of society is very significant, it is also about relations in society at the level of individuals, society, including in the global dimension. Business cannot isolate itself from the rest of society. Today, the whole society is a business environment. Some authors defined the term "business" as a person or groups of people organized in a certain way to produce goods or provide and distribute services, while emphasizing the importance of the ultimate goal of obtaining profit as a result of such activities (Keith and Gal Bellin ). It is important that there must be certain laws and rules in business, within which the production, sale and distribution of goods and services will take place for profit, as noted by Arthur M. Weimer [8]. Ukrainian experts, in particular Molchanova T.V. [9], define the concept of business as an economic activity for profit. Kozlovsky V.O. defines business as a system of business relations and specifies that the realization of economic interests between the participants of these relations can take place through agreements that are mutually beneficial for all parties [10]. In our opinion, such a definition does not fully reflect the essence of business, since sometimes the economic interests of the parties may not be taken into account, and also not fixed in the form of a written agreement, although oral agreements should certainly be formed and reached. The analysis of the works of Ukrainian and foreign experts made it possible to form one's own definition of business as a phenomenon, which means a system of relationships aimed at satisfying the economic interests of

the participants of these relationships through the production of goods and services, their combinations in various spheres and industries in order to obtain a stable profit in the long term, taking into account needs of society.

Signs of business are:

- participation in the relationship of more than one subject;
- creation of additional value for business participants;
- creation of goods and services for profit;
- availability or formation of infrastructure for conducting business for its long-term operation and sustainable development.

Let's move on to consider the term "entrepreneurship". This term is a word of Ukrainian origin and, having a common root with the word "to accept", primarily responsibility and risk, which perfectly reflects the essence of entrepreneurship, expressed in the Law of Ukraine "On Entrepreneurship": "Entrepreneurship (entrepreneurship) is an initiative, independent activity of individuals or enterprises (firms), aimed at obtaining profit or personal income, and which is carried out at one's own risk and under one's own property liability" [11]. Although the Law lost its validity in 2004, the Economic Code of Ukraine, effective since 2004, defines entrepreneurship as an independent, initiative, systematic, at one's own risk economic activity carried out by business entities (entrepreneurs) with the aim of achieving economic and social results and obtaining profit. This definition clarifies the concept of entrepreneurship, emphasizing its systemic nature, expanding its purpose, emphasizing not only economic interests, profits and profits, but also social impacts. Moreover, both definitions support the riskiness of entrepreneurial activity.

Scientists of different periods took care of the issues of defining entrepreneurship and its place and significance for society. Among them are R. Cantillon, A. Smith, G. Mangold, D. Ricardo, J. Schumpeter, E. Dolan, D. Lindsay, F. Hayek, G. Simon, J.M. Keynes and others. For the obvious reasons given above, Ukrainian economists began to actively research the issues of entrepreneurship and entrepreneurial activity after Ukraine gained independence. Among the leading domestic researchers are V. Bazilevich, A. Starostina, Z. Varnalii, H. Geets, I. Dmitriev, V.T. Molchanova and others.

The term "entrepreneurship" first appeared in the world scientific literature in 1725, when it was introduced by the English economist R. Cantillon in order for the economic relations of that time to have a more precise definition than the generally accepted term "business". It was R. Cantillon who first emphasized the riskiness of entrepreneurial activity, noting that an entrepreneur operates under conditions of risk. His ideas were supported and developed by outstanding scientists of the past, in particular A. Smith, Zh.-B. Sei, J.-B. Clark, J. Schumpeter, and many others.

J. Schumpeter in his work "Theory of Economic Development" notes that an entrepreneur is an economic entity whose fundamental function is the implementation of innovative ideas, and the search for non-standard approaches to the combination and use of limited resources. According to the scientist's concept, the basic feature of entrepreneurship is its innovative character. According to Schumpeter, an entrepreneur acts as an innovator, he aims at innovation, has a tendency to take risks, and his intuition is developed [12, p. 30]. It is different from the established activity of an entrepreneur that is the source of economic progress. In this context, in order to fulfill the function assigned to him, the entrepreneur must "do not what others do and not as others do". These positions are achieved by forming the following clusters of new production combinations: "(1) release of a new product or creation of a new product quality; (2) introduction of a new production method; (3) opening a new sales market; (4) opening a new source of supply of raw materials; (5) reorganization of any branch of industry" [12, p. 159]. Entering into a discussion with the views of representatives of the neoclassical school, Schumpeter emphasizes dynamic processes as the drivers of economic development. His concept of "creative destruction" declares the idea of the formation of equilibrium states as jump-like by moving away from one state of equilibrium as a result of the activity of the entrepreneur, the economy moves to a qualitatively new state of equilibrium [12, p. 19–20; 13]. At the same time, according to J. Schumpeter, traditional barriers to economic development for the entrepreneur are transformed into opportunities and incentives. Here it is worth emphasizing such a feature of the concept of "entrepreneur" as discreteness: as soon as the innovative nature of the business entity's activity turns into a traditional one, this entity ceases to be an entrepreneur [14]. Moreover, according to Schumpeter, innovation is a driver of economic development.

P. Drucker added that entrepreneurship means activity in conditions of constant change, and F. von Hayek noted that entrepreneurship is human behavior. Other specialists agree with this, adding, as V.D. Kamaev, that entrepreneurship is an intellectual activity based on dissatisfaction. Here it is worth adding that constant dissatisfaction becomes a source of search and innovation.

Today's foreign scientists (D. Kuratko, R. Hudzhets, Kuntz and Fulmer) agree with their predecessors and define entrepreneurship as an activity or process of organization, management, and forecasting of business risks. Many of them single out the innovative component of entrepreneurship, emphasizing that entrepreneurship involves not only risk, and profit but also uniqueness and innovation (Hindle and Rushworth, Nathaniel Left).

In their work, Ukrainian specialists usually use the definition from the Law of Ukraine "On Entrepreneurship", given above. Some (Molchanova T.V. [12])

partially equate the concept of entrepreneurship with the concept of business, defining entrepreneurship as "a form of activity in the field of production and exchange of goods and provision of services for the purpose of making a profit".

Having considered the existing groups of approaches to defining the essence of entrepreneurship, we will form our own:

Entrepreneurship is an activity that involves risk-taking, innovativeness, and proactivity of individuals and legal entities that carry it out for profit in various environmental conditions.

Based on the analysis carried out and on our own definitions, we will establish the relationship between the concepts of "business" and "entrepreneurship". Business is a phenomenon, it can refer to the activities of many legal entities and individuals, it requires the presence of infrastructure. The primary motive for doing business is to make a profit, that is, to satisfy the economic interests of the parties involved. Entrepreneurship, in turn, involves constant search, innovation and willingness to take risks for greater results. The business has a more reactive attitude to innovation, which means introducing innovations, if necessary, entrepreneurship lives in the spirit of innovation, they are the driver of the entrepreneur's development, especially in the modern world. Business assumes that the owner is involved in managing affairs as a manager and, if necessary, the main criterion for such activities is efficiency, while entrepreneurship assumes maximum immersion in the processes on the part of the owner. In business, scale and growth are predicted and planned, in entrepreneurship, growth is also predicted, but aimed at achieving the maximum possible result. In continuation of the previous criteria, the fundamentals of business thinking, which provide for the maintenance of existing or projected positions, are natural. The mindset of an entrepreneur is to constantly search for new ways of development. These characteristics are summarized in Table 1 below.

Table 1

**Basic characteristics of the concepts of "business" and "entrepreneurship"**

<b>Characteristics</b>	<b>Business</b>	<b>Entrepreneurship</b>
Motive	Obtaining profit, the satisfaction of economic interests	Search, innovativeness, risk-taking for greater results
Innovativeness	Reactive, as needed	Proactive, one of the driving forces
Involvement	Administrative	Maximum
Scale	Predicted, planned	As much as possible
Thinking	Maintenance of existing and projected positions	The constant search for new ways of development

*Source: compiled by the author*

In view of the Ukrainian legislative framework and the analysis carried out in the approaches to defining the concepts of "entrepreneurship" and "business", we consider it appropriate to use the term "entrepreneurship" in this study when it comes to small and medium-sized economic entities. Instead, the term "business" should be used to refer to the infrastructure, organization, and management of business activities at all levels.

The concepts of "entrepreneur" and "entrepreneurship" were widely developed and studied by physiocrats, marginalists, the Austrian school, the neo-Austrian school of economic liberalism, and neoclassicists. Representatives of the classical school paid less attention to the actual concept of entrepreneurship, but ideologically. Most researchers of the history of economic thought consider physiocrats as the founders of the modern concept of "entrepreneur". The most famous among them was Richard Cantillon, whose work "Essay on the Nature of Commerce" first introduced the concept of an entrepreneur in economic analysis. Cantillon distinguishes two classes in the market economy: "salaried people" who receive a fixed salary or a fixed rent, and entrepreneurs with unfixed, uncertain returns [15, p. 351]. From the scientist's point of view, the entrepreneur is a balancing force in the market economy. Later representatives of the physiocrats improved Cantillon's analysis of entrepreneurial behavior by adding to it the connection between the entrepreneur and the sources of capital necessary for innovation. According to Cantillon, an entrepreneur is an agent who only takes risks and works in conditions of uncertainty. Instead, A. Turgot establishes that the entrepreneur's risks are often associated with his own capital reserves.

The approach of the classical school to the analysis of entrepreneurship is evaluated differently by different researchers. However, many opinions agree that the concept of "entrepreneur" was ignored by such classical scholars as Adam Smith, David Ricardo [16]. Karl Marx also ignored entrepreneurs, because they did not fit well into his division of the entire economic reality into the bourgeoisie and the proletariat. In general, representatives of the classical school did not analyze the differences between entrepreneurs and capitalists but equated the functions of these business entities [17, p. 25]. Jeremy Bentham can be singled out among the classics of economic thought who explored entrepreneurship more deeply. The scientist, in contrast to Smith, believed that charging interest on a loan is a key part of the innovation process that entrepreneurs constantly support.

Paradigmatic shifts in the theory of entrepreneurship were possible with the emergence of marginalism. Approaches of representatives of the Austrian school were methodologically new to the study of the entrepreneur and entrepreneurship. The founder of the Austrian school, Karl Menger, argued that entrepreneurs are agents for obtaining information, conducting economic calculations, controlling production, and also that they bear risks. However,



Menger believed that such a feature of entrepreneurial activity as riskiness is not key, because the entrepreneur has the opportunity to make a profit by taking risks. Another representative of the Austrian school, Friedrich von Wieser, added another feature to the description of an entrepreneur: attention to the opportunities that surround him.

The neo-Austrian school of neoliberalism led by Ludwig von Mises and Friedrich von Hayek, the successor of their traditions, Israel Kirzner declares the entrepreneur to be the all-encompassing driving force of the development of capitalism [18, p. 203], the economic system as a whole, a catalyst for its transition from one state of equilibrium to a qualitatively new one [19]. Scientists focus on the uncertainty of the environment of the entrepreneur and at the same time on such a feature of him as innovation, as did the above-mentioned J. Schumpeter.

Analysis of the approaches of scientists of different schools of economic thought to the interpretation of the concept of "entrepreneur" allows us to systematize these approaches based on the selection of specific traits of an entrepreneur (Table 2).

Table 2

**Characteristics of entrepreneurs in the works of scientists  
of different schools of economic thought**

<b>Feature</b>	<b>Supporters</b>	<b>Opponents</b>
Takes the risk	R. Cantillon, J.B. Say, L. von Mises, F. Knight	J. Schumpeter, K. Menger, I. Kirzner
Owens capital	A. Turgot, A. Smith, D. Ricardo, L. von Mises	L. Walras, J.B. Clark, J. Schumpeter, I. Kirzner
He is a gifted person	J.B. Say, A. Marshall	I. Kirzner
Is a leader	A. Marshall	L. Walras, J. Schumpeter, J.B. Clark
An agent that combines the factors of production	J. B. Say, L. Walras, J. B. Clark	A. Marshall
Forms market equilibrium	L. Walras, J.B. Clark, I. Kirzner, A. Marshall	Y. Schumpeter
He is an innovator	J. Schumpeter, L. von Mises	Zh. B. Sei
Attentive to opportunities	F. von Wieser, J.B. Clark, I. Kirzner	R. Cantillon

*Source: compiled by the author based on [16]*

Based on the analysis of mainstream and unorthodox economic theories that explore the essence of entrepreneurship, it can be concluded that the most favorable for the development of entrepreneurship is the partnership of the state and other groups of stakeholders. The representatives of all the considered

schools proclaim the effectiveness of state intervention under the conditions of a supportive and mediated role, with the recognition of the completeness of the power of economic laws, competitive forces, and organic interaction of the interests of market subjects.

## **Part 2. Economical essence of small and medium enterprises**

Small and medium-sized enterprises are the driving force, creating a critical mass of active entities in developed economies. According to the data of the World Bank, it is small and medium-sized enterprises that play a key role in creating jobs and global economic development, they represent about 90% of businesses, and more than 50% of the population of our planet work in small and medium-sized enterprises. Official small and medium-sized enterprises contribute up to 40% of GDP to the economies of developing countries. These figures are much higher if unofficially registered, so-called "informal" small and medium-sized enterprises are included.

In the European Union, their number is 99% of the total number of enterprises, providing more than 60 million people with jobs. An important issue is the definition of the essence of small and medium entrepreneurship (SME). Leading world economists and leading economic organizations, in particular the Organization for Economic Cooperation and Development (OECD), note that a particular problem in comparing small and medium-sized enterprises in different countries is its definition. Definitions in a national context can vary significantly between countries and within countries in different policy areas, with smaller countries tending to set lower thresholds than larger countries. This creates problems for international statistics on small and medium-sized enterprises. Therefore, in their research, statistics, and documentation, in particular, in the OECD review of small and medium-sized enterprises and entrepreneurship for 2019, SMEs include those enterprises that employ less than 250 people [20]. Table 3 below summarizes the definition of small and medium-sized enterprises by the European Commission, so we have updated data.

Table 3

### **Definition of small and medium-sized enterprises by the European Commission**

<b>Type of enterprise</b>	<b>Number of employees</b>		<b>Annual turnover (in millions of euros)</b>		<b>Annual balance sheet (in millions of euros)</b>
Microenterprise	< 10	and	≤ 2	or	≤ 2
Small enterprise	< 50	and	≤ 10	or	≤ 10
Medium enterprise	< 250	and	≤ 50	or	≤ 43

*Source: compiled by the author based on data from the European Commission [20]*

It is worth considering how exactly small and medium-sized enterprises of Ukraine are defined. In 2012, the Economic Code of Ukraine defined which economic entities are considered micro, small, medium or large enterprises. These definitions are summarized in Table 4 below.

As shown in Table 4, a micro-enterprise is a business entity with up to 10 employees and an annual income of up to 2 million euros during the reporting period. A small enterprise is a subject of entrepreneurial activity of any organizational and legal form and form of ownership, in which the average number of employees during the reporting period, i.e. calendar year, does not exceed 50 people, and the volume of annual gross income does not exceed 10 million euros. Large enterprises are those companies that employ more than 250 people and have an annual revenue of more than 50 million euros. Medium-sized enterprises are those that do not belong to other groups of enterprises. In many ways, the Ukrainian definition correlates with the European Commission’s definition of small and medium-sized enterprises.

Table 4

**Definition of micro, small, medium and large enterprises in Ukraine**

	<b>Number of employees</b>	<b>Annual income from any activity, million Euros</b>
Micro	Up to 10 people	Until 2
Small	Up to 50 people	Until 10
Average <i>(according to the Code, all enterprises that do not belong to small or large enterprises)</i>	51–250 individuals or those enterprises with an annual income of less than 50 million euros	10–50 or those enterprises with less than 250 employees
Big ones	More than 250 people	Over 50

*Source: compiled by the author based on Art. 55 of the Economic Code of Ukraine [22]*

Considering small and medium-sized enterprises, it is worth citing their qualitative classification. We consider it expedient to generalize the widely accepted criteria for the classification of enterprises, highlighting the following groups of classification criteria: target, foundational, behavioral-strategic, geographical-control, and organizational-legal.

We consider the following criteria for the classification of enterprises to be targeted, which determine the purpose and nature of the creation of the enterprise, and the type, and nature of the economic activity. Enterprises can be commercial or non-commercial according to the purpose and nature of their activity. Considering the economic activity, they can represent various industries (industrial, trade, service, agricultural, construction, transport, financial and credit, insurance, tourism, etc.).

Foundational criteria make it possible to classify enterprises according to the method of creation (newly created, modified, reorganized enterprises, including privatized state enterprises), as well as according to the stage of development or life cycle of the enterprise (startups, growing, mature, stagnant). Behavioral-strategic criteria cover the characteristics of enterprises by the number of personnel and the amount of gross income; as well as the strategy of market behavior. Geographical control criteria generalize the classification of enterprises according to ownership of capital and control of their activities (we mean national, foreign, joint, and mixed enterprises), and according to territorial integrity and subordination (parent, subsidiary, branch companies).

Organizational and legal criteria make it possible to divide enterprises according to the form of ownership, legal status, organizational form, the method of formation and formation of the statutory fund, as well as the taxation system. The described approach to classification is summarized in Fig. 1.

An important point is to define the functions of small and medium-sized enterprises. In modern realities, enterprises must work taking into account their impact on society, their own results, the country's economy, their partners, customers, and employees, as well as the environment. The role of small and medium-sized enterprises, as already mentioned above, is constantly growing from year to year, so the functions of enterprises should be summarized in view of the multifaceted impact of entrepreneurship. The concept of the triple criterion or triple may turn out to be quite a successful approach bottom line, first proposed by John Elkington [23]. According to this approach, companies should evaluate their activities with regard to three dimensions: social, environmental, and economic. Also, the concept of the triple criterion is known under the abbreviation 3P (people, planet, profit) [23]. In the dimension of social influence or "people" (people), initiatives of corporate social responsibility, the integrity of the enterprise's activities, and interaction with partners, customers, suppliers, employees, etc. are considered. In the economic dimension (profit), we are talking about the financial results of the enterprise, the sustainability of its development, the issue of production development, and the optimization of the use of funds. In the dimension of impact on the environment (planet), attention is focused on the impact of the enterprise on the environment, responsible production, and consumption, reduction of the negative impact on the environment, issues of recycling, etc.

In general, these three dimensions provide a basis for summarizing the functions of enterprises of various sectors, which can be considered in three main dimensions: social, environmental, and economic.

In the social dimension, the functions of small and medium-sized enterprises are as follows:

- the socio-economic function is that enterprises fill local and central budgets by paying taxes and fees at different levels. Enterprises also create jobs, providing income for residents of the region and the country;
- customer-oriented function of enterprises means a responsible attitude to all stakeholders, and contact groups of the enterprise, in particular customers, partners, competitors and employees of the company, which consists in observing their rights, faithfully fulfilling the obligations assumed, as well as integrity in conducting business activities;
- the socially responsible function reflects the important activity of enterprises to create decent and safe working conditions, manufacture goods and provide services in accordance with current legislation and taking into account the needs of consumers. Also, within this function, enterprises influence and develop the country and local communities through measures of corporate and social responsibility. It is about the participation of enterprises in social life by supporting infrastructure development initiatives, supporting vulnerable population groups;
- the educational function of enterprises is formed thanks to the activities of enterprises in the direction of creating perception by other market participants and society in the general dimension of products, services, and responsible consumption;
- the personal function reflects the important impact of enterprises on the possibility of self-realization of enterprise owners and employees, the possibility of turning their own aspirations into reality.

In terms of the environment, the functions of enterprises are as follows:

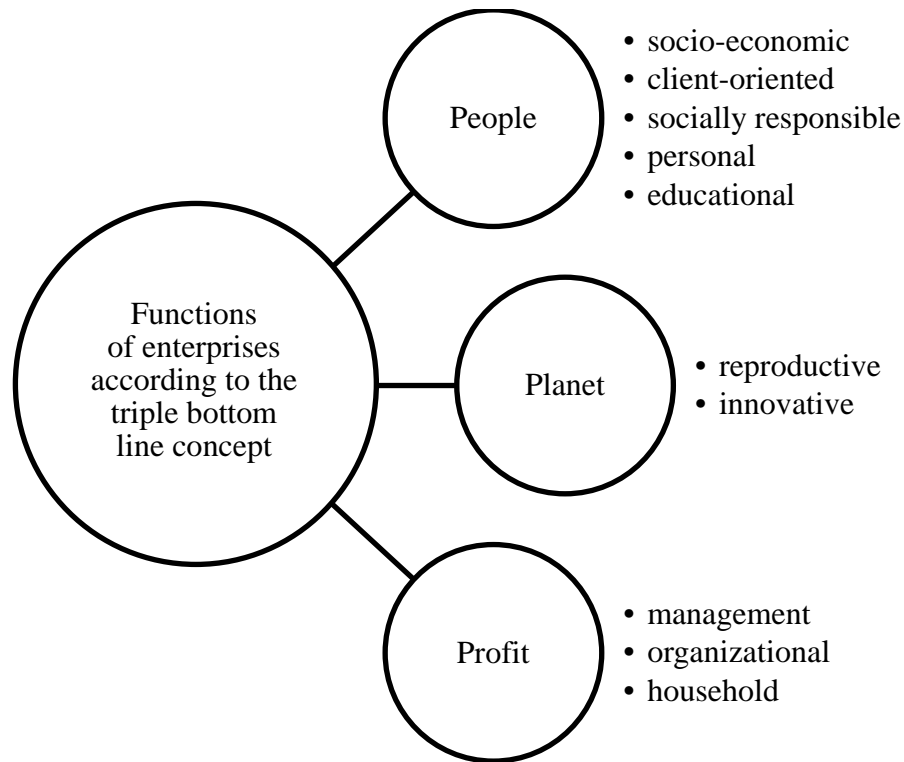
- the reproductive function involves investing in the development, renewal, and modification of the enterprise and its divisions, taking into account the need to reduce the negative impact on the environment;
- the innovative function is extremely important, meaning the development and introduction of innovations taking into account the needs of the external environment. Often, it is enterprises that drive changes in society, thereby supporting the development of science.

In the economic dimension, the functions of the enterprise are more concentrated around the results of the enterprise's activities, which consist in obtaining profits for its owners and/or shareholders. For this purpose, the enterprise implements a number of extremely important functions:

- the management function consists of effective management (management) of the enterprise, its relationships, implementation of new methods;
- remuneration, cooperation, and building relationships with key stakeholders;
- the organizational function makes it possible to ensure the implementation of innovative methods and forms of activity, rational organization of the company's work, including labor and resources;

– the economic function involves the effective use of the company’s own and engaged resources (material, financial, intellectual, labor, informational resources, etc.) to maximize profits in the long term since entrepreneurship is a sustainable and long-term activity.

The functions of entrepreneurship according to the three-dimensional concept of 3P are summarized in Fig. 1.



**Figure 1. Functions of enterprises according to the triple bottom line concept**

*Source: developed by the author based on [23]*

The selected list of functions is not exhaustive, but it covers the vast majority of spheres of activity and influence of enterprises in general and small and medium-sized enterprises in particular. It is clear that an enterprise is a social structure that interacts with a number of stakeholders or interested parties, which include suppliers, consumers, competitors, the business community, society, business associations, opinion leaders, educational institutions, partners, etc. In this connection, it is advisable to consider the specifics of interaction with each group of stakeholders, which we will do in the next section.

### **Conclusions**

In the process of considering the theoretical and methodological foundations of the activity of small and medium-sized enterprises, it is expedient to define

the difference between the concepts of "entrepreneurship" and "business", since both concepts are used as identical in a number of regulatory acts, scientific works, project documents. The analysis of approaches and definitions made it possible to reveal that these concepts are close, but not identical, in particular, business is a phenomenon that can relate to the activities of many persons, including individuals and legal entities, and also implies the presence of a certain infrastructure. The primary motive for doing business is the satisfaction of the economic interests of the involved parties, that is, it is primarily about making a profit. Entrepreneurship is aimed at innovation, risk-taking, and the search for new solutions. The role of the business owner is to attract as needed, due to the effectiveness of the activity being carried out. Entrepreneurship means direct involvement of the owner in all processes. We will present our own definitions of entrepreneurship and business.

Entrepreneurship is an activity that involves risk-taking, innovativeness, proactivity of individuals and legal entities, which are carried out for the purpose of obtaining profit in various conditions of the external environment.

Business is a phenomenon that means a system of relationships aimed at satisfying the economic interests of the participants of these relationships through the production of goods and services, their combinations in various spheres and industries in order to obtain a stable profit in the long term, taking into account the needs of society.

In this study, the term "entrepreneurship" will be used when referring to small and medium-sized enterprises. Instead, the term "business" should be used in relation to the infrastructure, management and organization of business activities. In Ukraine, micro-enterprises are economic entities with up to 10 employees and an annual income of up to 2 million euros during the reporting period. A small enterprise is a subject of entrepreneurial activity of any organizational and legal form and form of ownership, in which the average number of employees during the reporting period, i.e. calendar year, does not exceed 50 people, and the volume of annual gross income does not exceed 10 million euros. Large enterprises are those companies that employ more than 250 people and have an annual revenue of more than 50 million euros. Medium-sized enterprises are those that do not belong to other groups of enterprises. In many respects, the Ukrainian definition correlates with the European Commission's definition of enterprises.

It is advisable to generalize the generally accepted criteria for the classification of small and medium-sized enterprises by distinguishing groups of classification criteria, in particular the following: target (by purpose and nature; by type and nature of economic activity); foundational (by the method of creation: by the stage of development); behavioral and strategic (by the number of employees and the volume of gross income; by the strategy of behavior in the market); geographical and control (according to the ownership

of capital and control; according to technological (territorial) integrity and degree of subordination), organizational and legal (according to the form of ownership; according to the legal status and form of management; according to the organizational form; according to the method of formation and formation of the statutory fund; according to the system taxation).

To determine the functions of enterprises, a triple criterion approach was used, according to which organizations should evaluate their activities in three dimensions: social, environmental, and economic. In the social dimension, the following functions were highlighted: socio-economic; client-oriented; socially responsible; personal; educational. In terms of the environment, enterprises have the following functions: reproductive; innovative. The economic dimension makes it possible to perform a number of functions, including management; organizational, and economic.

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