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Designing a Policy Model for the Development of Small and Medium Enterprises (SMEs) Emphasizing on Innovation (Case: Ministry of Cooperatives, Labor and Social Welfare)

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Abstract: Employment and the achievement of people in the desired job are considered as one of the most basic needs of the society, and the elimination of unemployment as a social, economic and cultural destructive phenomenon is one of the most important concerns of policy makers and planners in different countries. In addition it is and one of the main indicators of development of societies. In most countries, the solution to achieve this is through the provision of the infrastructure needed to set up and run small and medium-sized enterprises. Given the importance of small and medium enterprises in the process of economic and social development of countries and the special attention of planners and development policymakers to this important issue, policy makers need to adopt a policy suitable for the growth and development of small and medium-sized enterprises. However, the policy-making of the aforementioned businesses, from a theoretical perspective, requires an accurate basis to help create an entrepreneurial economy with more entrepreneurs and achieve the goals set by the country. Accordingly, this research aims at designing a policy framework for the development of small and medium-sized enterprises, with an emphasis on innovation and making use of domestic and international knowledge and experience to improve the policy process of small and medium-sized enterprises development and its numerous valuable results, especially in terms of employment assistance and unemployment reduction. In this paper, an attempt has been made to construct a proper framework for conducting research based on previous research and documentary studies. Then, based on the initial framework, a deep study and a case study were analyzed using the interviewing tool and study documents to extract the conceptual model. To analyze the extracted data from interviews, open source and axial coding was used. Finally, the resulting pattern in four dimensions was drawn from the effective factors on business development, development policies, policy-making bodies, and the performance of small and medium businesses.

Keywords: Policy Model, Development of Small and Medium Enterprises (SMEs), Innovation
JEL Classification: E32, Q55, E60, L84

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1. Introduction

As more economic activities contribute to the growth of investment, job creation, increase in people's income, increase in taxes for the state and the welfare of the community, all countries are working to create a business environment by economic activists and they make a lot to accomplish it (Shirkavand, 2011). Today, governments have admitted that the creation and development of new small and medium-sized enterprises is an important factor in economic growth and results in creating jobs, innovating in activities and improving productivity in the company and the government (Audretch, 1995; Baldwin, 1999; Rynolds et.al, 2004). Although governments in developing countries may still focus on large companies, their policy emphasis is on strengthening the environment and improving the business environment for new and growing companies. In other words, entrepreneurship policy is a response to a shift from a managed economy to an entrepreneurial economy, which is characterized by the transition from the industrial economy to the knowledge-based economy, from the manufacturing sector to the service sector, from large enterprises to small companies and small companies to new ones (Danayifard, 2009).

Over the past two decades, with the advent of new technologies in production and communications, developments have emerged in the capabilities of industrial units, production and distribution methods, and the structure of firms, which have increased the importance of small and medium units. Since the learning process in the small and medium industries leads to the training of capable executives and the exclusion of these industries from the scene of competition imposes less harm on the society; therefore, small and medium industries as a suitable platform for the creation of competitive industries, are considered powerful. In most countries, it has been emphasized on the appropriate policy for these industries (Amin Badbakhti &Zargar, 2011).

The global business arena has undergone dramatic changes due to the globalization process, the IT revolution and the expansion of new business models. Now all branches of business are experiencing competitive pressure. Survival is only possible on the condition of innovation and the use of new technologies (Mishra & Sahary, 2008). The success of small and medium-sized enterprises depends on the importance of innovation. Small companies that innovate at their business center will increase their productivity and survival (Cefis & Marsili, 2006; Heunks, 1998; Geroski et al., 1993). On the other hand, even SMEs are not immune to the challenges of the global economy. Given the contribution of these companies in the economy, this is somewhat worrying (Tiwari et al., 2007).

SMEs face numerous problems, such as resource constraints, which prevent the provision and commercialization of new products, services or processes (Tiwari & Buse, 2007). Global active global corporations are penetrating more and more into all markets. This will lead to more intense competition and more rapid changes in the entire industry. Small and smaller companies in the supply chain, due to these changes, should be able to compete on the international arena with the advancement of innovation and technological skill. In fact, the main goal of the preparation of the policy of SMEs development is to provide the improvement of the business environment of the country

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and the decision-making system for the effective presence and activity of the above companies with the aim of overcoming their weaknesses in markets, due to the small scale and severity of restrictions on resources on the one hand, and the promotion of their level of competitiveness, on the other hand. The operational goal of policy-making in this research is focused on established and operating companies. Moreover, entrepreneurship policy is to increase the levels of entrepreneurial activity and the development of a favorable environment for the emergence of new companies. As a result, the focal point within the policy analysis unit should shift the company to individual entrepreneur or potential entrepreneur.

As stated above, achieving sustainable employment through SMEs is one of the most effective ways to maintain and increase the level of employment of the country, which is of interest to policymakers and government. In this research, an appropriate policy model has been attempted to develop small and medium-sized enterprises (SMEs) with an emphasis on innovation. Taking into account the important role and responsibilities of the Ministry of Co-operation, Labor and Social Welfare, the ministry has been selected as a case study.

2- Literature Review

a) Foreign Researches

Latin American SMEs from larger institutions (such as business groups) are in a stronger position for international development. Furthermore, the problems and obstacles of SMEs for international development are mainly in the face of domestic regulations in the domestic economic environment and in the poor information on foreign markets. The findings of this paper emphasized the impact of institutions and, in particular, public policies on the development of international SMEs on emerging economies (Cardoza et al, 2016).

Turner et al., (2016), examined the role of Thailand's government in economic development through the promotion of small and medium-sized enterprises (SMEs). The survey considers the interaction between the government and the private sector, addresses the challenges faced by SMEs and the effectiveness of the policy of promoting them in terms of the implications of future policies. The government has played an important role in supporting the development of SMEs as a means to achieve sustainable and healthy economic growth. Policymakers are required to promote SME by the government and closer cooperation between the government and the private sector for the development of SMEs. The integration of government agencies to promote SMEs should be increased in order to have a holistic approach to the government. More focus on the quality of small and medium enterprises is essential for sustainable development.

Ozioma-Eleodinmuo (2015) analyzed entrepreneurship policy for SMEs in Abha, Abyaya State. The results indicated that entrepreneurial policies such as education, advertising, access to finance and development of SMEs in Abah faced challenges with poor implementation and corruption. Despite the challenges and barriers against the growth of SMEs in Nigeria, there are still many opportunities for SMEs in Nigeria to grow.

Rafaldini Mirzanti et al., (2014) divided the conceptual framework of entrepreneurship policy based on Micro, Meso and Macro

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level of analysis. At macro level, entrepreneurship policy focuses on motivating, entrepreneurial skills and business skills while the Meso level involves reducing government burdens in facilitating business entry and deregulation of imports and exports and it focuses on business and business incentives. At macro level, entrepreneurial policies should focus on creating an entrepreneurial culture, entrepreneurial infrastructure, and regulations.

Obaji & Olugu (2014) examined the role of state policy in the entrepreneurship development. This article aims to develop a conceptual framework to examine the role of government policy in the development of entrepreneurship and its impact on economic development. This study examines entrepreneurship, economic development and government policies and its relation with entrepreneurial actions. In this research, two hypotheses were proposed: the integration of entrepreneurial actions with economic development and with the policy of government intervention. This study provides an understanding of the role and importance of government policies in entrepreneurship development and confirms the importance of government policies on business performance.

Khaled Navaser et al., (2011) studied the role of government policies and entrepreneurship growth in micro, small and medium enterprises in India. This paper aims to evaluate government policies regarding MSMEs and its performance in relation to these policies. We need to consider the share of MSMEs in creating employment in the country. The global market has significantly focused on the activities of micro, small and medium enterprises. Today, in order to survive business, dynamism and entrepreneurship must be at the highest level of perfection.

Chakamakka (2011) examined the impact of public policy on entrepreneurship in Nigeria. The data were collected through direct interviews, focused group discussions, journals, textbooks and other items. The results showed that the government formulated and implemented fiscal policy that slowed down the development of entrepreneurship in Nigeria. In addition, many public policies are so complex that the cost of solving a problem is more than its benefits.

b) Iranian Researches

Moradi et al., (2016) did a qualitative research aiming at identifying the factors and obstacles of entrepreneurship development from the perspective of Iranian entrepreneurs, after refining initial codes (combination of overlapping and exemplary codes), three categories of entrepreneurship development factors from the perspective of entrepreneurs, including 1- contextual factors (role model, previous experience and individual characteristics) 2- preventative factors (financing, cultural, social and legal factors) 3. Enabling factors (proper identification of opportunities, access to social network, specialized knowledge and skills).

The results of Fooladi & Zanganeh (2016) indicated that in Singapore and Taiwan, governments play an important role in fostering innovation through risky investment projects to support companies with high growth potential, but the performance of Financial Development Funds of Iran illustrated that the facilities of these funds do not meet the concept of risky investments. That is why the financing of the newly established advanced companies of the country is accompanied by serious problems.

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Rezayi & Safa (2016) examined Influencing factors on the development of agricultural small and medium-sized enterprises. Considering the findings, it can be concluded that the implementation of supportive policies, the granting of facilities and credits, the formulation of appropriate rules and removal of administrative barriers, the training of enterprise managers, and the establishment of an effective relationship between firms, The main prerequisites for the development of small and medium-sized enterprises in Zanjan province are considered.

3- Theoretical Background

Policy

It can be said that general policy is a decision that is made against a general problem, but it should be considered that policy is not merely a decision, but a process that includes all actions from the time the problem starts and ends with the evaluation of the results of policy implementation. Policy is decisions made by governments that define the purpose and identify the means to achieve it (Alvani & Sharifzadeh, 2014). General policy is a set of relatively stable and enduring actions of the executive and the government to solve public problems or concerns (Anderson, 2011).

Dye (1976) defines general policy as whatever the government decides to do or not to do (Smith & Larimer, 2017). Chandler & Plano (1988), consider general policy as strategic use of resources to reduce national problems or government concerns (Nduka Eneanya et al., 2010).

Policy is a process through which the government implements its ideas into implementing programs and activities to achieve results and make desirable changes in the real world. The focus of the policy is to investigate the interaction with the community, which acts in the stages of the understanding of the problem, design and formulation, implementation, evaluation, and modification of the policy. The policy term addresses many concepts and meanings with a wide range of principles and statements that include high-level political processes in the government to the administrative decisions of the wisdom of government agencies. Each policy, such as the subsystem, is linked to its higher and lower policies, so that it can be classified into macro, middle, and executive policies (Bagheri et al., 2013).

Acoording to Vickers, policies are principles that regulate decisions, actions and activities of public organizations, and set them in the path of realizing goals (Babayi & Tavakoli, 2015).

The Definition and Concept of SMEs

Due to the characteristics and variety of activities of these firms and the existence of various indicators, there are several definitions and perceptions of SMEs, and no globally accepted definition has been provided so far. The size of the business or the number of employees, the field of activity, the value of assets, turnover, etc. are among the most common indicators used to define small and medium enterprises (López-Ortega et al., 2016). Among them, the size or number of employees is one of the most reliable indicators, so that in most countries, business classification is based on this index (Olusegun, 2012).

The size of the industry is divided into three large, medium and small industries. In a study conducted by the International Industrial Development Center, small organizations are considered

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to organizations that have fewer than 100 personnel. To define the characteristics of SMEs, the same criteria are not always used; for example, some studies define small and medium organizations, as "small and the average companies with fewer than 250 employees, and others believe that these types of companies have employees less than 500 people (Beck et al., 2005).

Amboise & Muldowney (1988) regard SMEs as economic entities that can be easily established and managed by an independent person (entrepreneur) (Karimi et al., 2014).

According to the definition of Unido (2003) and the accepted definition in most countries of the world, SMEs are classified as follows:

1. Companies with fewer than 10 employees are micro enterprises.

2. Companies with 10 to 49 employees are small enterprises.

3. Companies with 50 to 249 employees are medium-sized firms. In addition, their turnover should be less than 40 million euros, with a balance sheet of less than 27 million euros and ultimately economically independent and more than 50 percent owned by the private sector.

The EU criteria for defining and identifying SMEs are the number of employees, the annual turnover of the firm and the amount of assets and liabilities. The definition of the European Union from small and medium enterprises is given in Table 1:

Table1. Definition of SMEs (EU Commission)

Description	Number of employees	Annual turnover (Million euros)	Total asset value (Million euros)
Micro enterprises	Fewer than 10	Less than 2	Less than 2
Small enterprises	Between 10 to 50	Between 2 to 10	Between 2 to 10
Medium-sized enterprises	Between 50 to 250	Between 10 to 50	Between 10 to 43

At present, small and medium-sized enterprises of the World Bank operate based on the following definitions:

1. Small business, fewer than ten employees with an asset limit of up to $ 10,000 and annual sales of up to $ 100,000

2. A small firm with up to 50 employees with a property ceiling and selling up to $ 3 million

3. Medium firm with a maximum of 300 employees and with a maximum asset and total sales of $ 15 million

The definition of small and medium enterprises in Iran varies from one organization to another. Different organizations, each according to their work requirements, has defined and categorized enterprises in large, small and medium terms.

According to the Ministry of Industry, Mining and Trade and the Ministry of Agriculture, small and medium enterprises have industrial and service units of less than 50 employees. Statistical Center of Iran classified businesses into four groups: the business of 1 to 9 workers (micro), 10 to workers (small), 55 to 99 workers (medium) and more than 100 workers (large). According to the latest definition of the Small Industries Organization and industrial towns, small industries are said to have industries with a population of 5 to 50 people, and large industries are ones with more than 50 employees. In the Executive Regulations

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for the Development of Small and Early Benefits, the subject of the Decree No. 46468 / T.34055 of 5/9/84 of the Cabinet of Ministers, the executive responsibility of which is directed at the Small Industries Organization and Industrial Towns. Small enterprises are referred to production units (goods and services) whose employment rates are less than fifty and only those enterprises are subject to the provisions of the above-mentioned regulations.

The classification of industrial units in terms of the Central Bank Statistics Office is such that firms with fewer than 10 employees are micro, 10 to 49 employees, small, 50 to 99 employees are medium and more than 100 employees called large. According to the guidelines for the financing of small and medium enterprises in 2018, the Central Bank of the Islamic Republic of Iran, enterprises whose number of employees in the last year is less than 50 and between 50 and 100 persons are small and medium respectively. Finally, in this research, the classification of firms is defined as follows:

1- Micro enterprises: up to 9 employees

2. Small enterprises: between 10-49 employees

3- Medium Enterprises: between 50-99 employees

4. Large enterprises: from 100 employees and more

SMEs Policy

Until two decades ago, the focus of industrial and economic development was based on the assumption that the main source of economic growth in countries is large companies that act as economic leverage. Governments tried to make the core of their national economy more effective by regulating specific laws governing these companies, providing tax incentives, and imposing supportive regulations to reduce costs or legislate for healthy competition. This economic model ignored the role of new firms as the main sources of innovation and job creation, as well as the role of entrepreneurs in the process of economic development. In fact, the government's approach to improve the global competitiveness of large firms did not in fact stimulate the emergence of new companies and, because of innovation, economic innovation and overall competitiveness of the country. In the industrial era, the encouragement of entrepreneurial activity was best served as a sub-product of industrial policy (Audretsch & Thurik, 2001).

In 1979, Brich's findings (1987) showed that most of the new businesses in the United States were created through small companies. After announcing this finding, government policy makers realized the importance of small companies in the economic and industrial process of the countries. Accordingly, countries began to formulate small and medium-sized enterprises since the late 1980s, and in the early 1990s, they emphasized the creation of small companies. The core of these policies was to focus on measures to improve the operating environment of small companies, and in particular the controversial issue, was the creation of a new company.

According to the Organization for Economic Co-operation and Development (1995, 1977, and 1998) and the Commission of the European Union (1998), in the mid-1990s, due to the growth of unemployment levels in many countries of the Organization and European countries, an interest in policies for fostering entrepreneurship was created as a way of creating jobs. In fact, with the publication of various research studies on the link between new

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companies, innovation and economic growth in the second half of the 1990s, the state's attention to promote entrepreneurial levels and, ultimately, stimulating and encouraging entrepreneurs, intensified.

Today, most governments have accepted that the creation of small and medium-sized companies is an important factor in economic growth, and the results are creating jobs, innovating and improving productivity in the company and the government. Although governments in developed countries may still focus on large companies, their policy emphasis is to strengthen the environment for emerging and growing companies.

SMEs Development Policies Models

Entrepreneurship is one of the main priorities of government policy makers. Nevertheless, developing entrepreneurial policies is in the early stages of its development. In order to become familiar with the entrepreneurial policies set forth in governments, some of the common models are outlined below.

1. Global Entrepreneurship Monitor: It is based on the study of entrepreneurship in different countries. This model has established causal relationships between entrepreneurial activities and the level of economic development. Based on this model, national conditions and entrepreneurial conditions affect the development of entrepreneurship in countries (Orford et al., 2005).

Accordingly, two general types of policy have been identified in entrepreneurship development:

a. Improvement of the national public situation: All small or large companies, new or old, are affected by the general economic conditions of the country. Thus, governments can formulate policies such as improving foreign trade, changing the role of the state in influencing trade and industry, making financial markets more efficient, flexible labor market, developing physical infrastructure etc.

b. Improving the special conditions of entrepreneurship: These policies that directly affect the specific conditions of entrepreneurship and entrepreneurship growth include:

- Financial support: The government contributes to new and growing companies by lending and financing, and observing justice (preventing rentiers).
- Training: Learning how to manage new and growing businesses in the education system is effective at all levels of education.
- Research and development: National research can lead to new business opportunities that provide entrepreneurship opportunities for small and growing companies.
- Development of professional and commercial infrastructure: The development of commercial services, accounting and other legal services leading to the establishment or growth of new companies.
- Market flexibility and barriers to enter to the market: if trade reforms create barriers to sustainable development and change, competition from new and growing companies is avoided, and the ability to replace new contractors and other suppliers disappear.
- Access to physical infrastructure: Easy access to physical resources, including communication infrastructure, transportation, land, etc., can help grow small and growing companies.
- Culturalization (social and cultural norms): Cultural and social norms encourage individuals to engage in entrepreneurship. In such a case, new practices, business leads and economic activities are formed.

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- Government Programs: It includes programs to help grow emerging companies at the national and regional levels.

- Other Government Policies: Other Policies, such as tax policies or unbiased rules that encourage new or growing companies.

2. Audresch Model: Audresch et al, (2001) presented a model to analyze the determinants of entrepreneurship that help understand how to apply public policy to promote entrepreneurship (Grilo & Truik, 2005). This model provides five types of government policies that affect entrepreneurial activities as follows:

- **Entrepreneurship supply:** Government intervention directly influences the type, number and access to entrepreneurial opportunities. This policy includes income policy and policies for encouraging, developing technology or competition policy, and setting up a company.

- **Demand for entrepreneurship:** Government intervention has a direct impact on the demand of potential entrepreneurs. This policy includes immigration policy, regional development policy, financial assistance, and so on.

- **Access to knowledge and resources for potential entrepreneurs:** The purpose of government intervention is to overcome the gap in knowledge and financial problems through increased information and financial resources. These policies provide entrepreneurship education in schools by encouraging the capital market to engage in risky activities as well as direct financial support, relevant business related information (counseling) and entrepreneurship education in schools.

- **Formation of entrepreneurial values in culture:** Government intervention leads to the formation of a positive mentality of entrepreneurship and focuses on introducing the principles of entrepreneurship in the educational system and paying attention to entrepreneurship in the media. This set of policies requires a broad role for the government, including a system of education and cultural overlapping.

- **Enhancing Risk for Entrepreneurship:** Government intervention is to influence the decision-making process of individuals and their career choices. These policies include tax policy (impact on business income, social security), labor market recruitment laws (increasing business flexibility and starting or continuing a business) and bankruptcy policy.

3. **Peng & Lee's Model:** Peng & Lee (2002) referred to a number of policy areas that indicate the level of entrepreneurial efforts in one country. These areas are:

a. Maximizing benefits: These policies encourage individuals to become entrepreneurs and help small businesses to be established. In other words, these policies eliminate barriers to the start of the entrepreneurial process and are as follows:

- Entrepreneurship development by facilitating the entry of new firms and creating competition between them and reducing barriers to entry into the industry

- Implement antitrust laws and encourage entrepreneurship by developing competition in an industry

- Government deregulation policies and entrepreneurship development through removal of incompatible regulations.

b. Minimizing Losses: The following is a series of policies that help bankrupt entrepreneurs to quickly dissolve their business at lower costs:

- Implementing bankruptcy laws and facilitating the liquidation process for the owners of bankrupt companies

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- Development of entrepreneurship by reducing risk and expanding entrepreneurial values in society

Innovation

Drucker (1959) is one of the first researchers who focused on innovation. Rogers argues that the organization needs innovation for survival in this environment (Tuksinnimit et al., 2015) and innovation is an idea, action or object understood and accepted by an individual or business units (De Vries & et al, 2014).

Rosenfeld & Servo (1990) state the concept of innovation by the following formula:

Innovation = Concept + Invention + Profit

In this formula, the concept implies an idea based on the reference frame of the person, department or group, organization or accumulated knowledge. The invention of any new idea that is realized and profits means the creation of the highest possible amount of profit from an invention (Qasemi et al., 2013).

The role of innovation as a very important driver of economic development and development has been widely recognized. Specifically, in the business environment, innovation is often viewed as a critical source of strategic change with positive outcomes, including sustainable competitive advantage. According to Davila et al, (2006), the reasons why the organization is moving toward innovation include: improving quality, creating new markets, expanding products, reducing labor costs, environmental damage and energy consumption, improving production processes And materials and products or services. Hence, innovation has been the subject of many analyzes and researches over the past decades (Talegeta, 2014).

Nowadays, innovation has become not only a major issue for many private and business organizations, but it has also been seriously addressed by the public and sector. The need to pay attention to innovation in government policy-making should be sought in the new expectations of society. Over the past few decades, public opinion has been challenging the traditional ways of managing the public sector in a broader way. The public community expects government executives to maximize the public interest while maximizing the effectiveness of their services. The emphasis and attention to innovation in governmental organizations helps these organizations to better understand the environment and understand the needs and demands of their clients. This allows the organization to learn new ways of doing things and, based on it, make its current methods and procedures more effective and efficient (Nasehifar et al, 2010).

4- Research Methodology

The research method was based on case study research, which was originally presented with preliminary studies, questions and research hypotheses. The results were presented in the form of a research design. In the next step, studies on the topic of research continued in different dimensions. These studies included reviewing the literature on the subject of the research as a library and studying scientific articles on reputable scientific websites. Consequently, the theoretical foundations of research at this stage took a coherent form. A series of studies carried out in the previous stages allowed the researcher to explain the theoretical background or conceptual model of the research. Then interview

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questions were designed. Subsequently, an interview was conducted with university professors and managers of the Ministry of Labor, Social Co-operation and Social Welfare. Based on the analysis of the interview results, the final model, summary and report were presented.

The present study is structured on the subject of data collection, interviewing framework, and coding scheme, and is essentially exploratory in nature because it considers a problem that has not been addressed before. In this type of research, rather than testing the hypothesis, the goal is to collect models and ideas to find a deep understanding of the subject. In this paper, data collection, observation and interviewing, documentary review and online reading in government systems and official statistics were used. Interview questions were raised based on the theoretical framework extracted from theoretical background. The process of work was in a way that initially several questions were considered in relation to the theoretical framework derived from theoretical background as the main questions, and subsequent questions were considered in response to the those provided to clarify the concept of responses. Examples of interview questions include what are the effective factors on business development. Therefore, with regard to other factors extracted from the theoretical framework of the research, some questions were raised.

In this research, in order to identify the components and to investigate the validity of the components affecting the development of small businesses, policy making, innovation and business performance, in accordance with the potential conditions and capabilities, the validity of the questionnaires, and in general, the research was done by the experts, as shown in Table 2 of the interview. The participants were faculty members of management and entrepreneurship specializing in this field, which had articles on the components of the effective factors on the development of small businesses, policymaking, innovation, and business practices. The number population was slight and it includes available people. It is also used by past and current policy makers and planners of government and governing bodies.

Table2. Statistical population of experts

Row	Specialty	Institute / Center
Group 1	Faculty members and university professors	Islamic Azad university
		University of Tehran
		Tarbiat Modares University
Group 2	Policy makers and planners	Government and other governing bodies
Group 3	Managers and experts	Headquarters and quarters units of the Ministry of Cooperatives, Labor and Social Welfare and provincial offices
Group 4	Managers and Entrepreneurs	Small and medium sized businesses

It is worth noting that after the 17th interview and review of the documents, the data reached saturation. Data collection was stopped. The indication of saturation is repetition of information, and confirmation of existing conceptual classes. In this study, after conducting 17 interviews and analyzing documents, the

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researcher concluded that no more new information would be obtained. The sample size of the experts interviewed is described in Table 3:

Table3. Experts sample size

Row	Specialty	Institute / Center	Number
Group 1	Faculty members and university professors	Islamic Azad university	3
		University of Tehran	1
		Tarbiat Modares University	1
Group 2	Policy makers and planners	Government and other governing bodies	5
Group 3	Managers and experts	Headquarters and quarters units of the Ministry of Cooperatives, Labor and Social Welfare and provincial offices	5
Group 4	Managers and Entrepreneurs	Small and medium sized businesses	2
Total			17

In this research, the theme analysis has been used to analyze the data obtained from the interviews. To determine the reliability of the research, re-test reliability was used; therefore, several interviews were selected as prototypes, each of which was encoded twice in a short period. The codes are then compared in two intervals for each of the interviews. The retest reliability of the interviews conducted in this study is 78%. Given the fact that this reliability is more than 60% (Khastar, 2009), the reliability of coding is confirmed.

5- Results

By extracting conceptual framework elements, a preliminary framework was developed that was derived from the analysis of the findings of the interviews. The effective factors on business development, policymaking, innovation, and performance of small and medium-sized businesses are the core of the framework. After designing the initial framework and reviewing the researcher several times so that the factors resulting from the analysis of the interviews were properly considered, this framework was submitted to the expert group for approval, in order to assess its validity. The framework provided for corporate executives was sent and their comments were collected. 8 people complained to the design framework. These comments made fundamental changes in the original framework. The completed framework was sent back to them. In the second round, there were 5 people who asked each of them to comment on the type of correction. Finally, considering the defects or answering the defects, the final framework was achieved.

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Table4. The set of factors extracted from conducted interviews

Dimensions (variables)	Open coding (Components)	Axis coding (subcategories)	F
Effective key factors on the development of small and medium businesses	Access to resources	Facilitating the provision of financial and capital resources, providing initial capital for start-ups and hazardous activities, granting public subsidies for setting up a new business and risky activities (interest rate, duration of respiration and repayment, loan guarantee), improving access to and supply of raw materials, improving access to information needed through the establishment of specific systems and information flows between supportive organizations, entrepreneurs and small and medium enterprises, development of financial institutions and trust funds for business Small and Medium Sized Enterprises increasing the share of Small and Medium Businesses in the allocation of resources of banks and credit institutions of the country	I1,I2,I3,I4,I5,I7, I8,I9,I10,I12,113, I15,I16,I17
	Rules and Regulations	The degree of coherence and compliance of the laws and regulations related to business development with upstream laws, the formation of power lobbies, the modification of supportive provisions to reduce the cost of creating new businesses and establish healthy competition, the provision of financial incentives and insurance and taxation, the preservation of intellectual property rights (the protection of patents, designs, copyright and trademarks) and physical protection and the protection of particular groups (women, youth, ethnic minorities, people with disabilities), the consolidation of laws and administrative and procedural rules, the amendment of administrative procedures and rules, and the removal of abusive regulations to simplify and facilitate the process of creating a new and closed business, (enforcing bankruptcy laws and facilitating the liquidation process for insolvent companies) and improving the business environment for emerging and growing companies	I1,I2,I3,I4,I8,I9,I 10,I11,112,I14,1 15,I16,I17
	Market access	Fast and easy access to knowledge, information and markets, and facilitating the presence of target markets, the structure of competition in the markets, the diversity of services and products, scale-saving savings through the establishment of the industrial network and cluster, the share of government consumption in the economy and supporting the production and consumption of domestic goods, the role of the market in providing timely and optimal resources, regional cooperation and the expansion of international political interactions, price sensitivity in the market and facilitating the export process	I1,I2,I3,I5,I7,I9,I 10,I12,113,I14,1 15,I16
	Entrepreneurial culture and behavior	Management support and encouragement in innovative / entrepreneurial activities and the introduction of successful entrepreneurs, attention to the personal and psychological characteristics of entrepreneurs and the selection of talent and entrepreneurship education, and training (providing entrepreneurship education and business creation and development skills, and developing business plans at universities, and establishing and expanding growth centers to help grow small and medium-sized units of knowledge), promoting entrepreneurship culture and promoting entrepreneurial activities (activity rates) entrepreneurship and the number of innovative businesses), the transfer and exchange of knowledge and experience of entrepreneurs and activities, entrepreneurial / knowledge transfer of skills	I1,I2,I3,I4,I5,I6.I 7,I10,I11,I13,I15, I17
	Infrastructures	Development of legal, professional and commercial infrastructure (business development, accounting and legal services) and physical (development of transport, water and electricity infrastructure, communications / information technology, and other industrial infrastructure); Providing various government support programs in financial, educational, informational and advisory sectors, stability in the country's macroeconomic policies and indicators (exchange rate, inflation, tax, foreign trade, financial markets), government programs to help growth of emerging companies at national level and the regional and long-term sustainability of their activities in the long run, the merger of government agencies providing services to SMEs focusing on	I1,I2,I3,I4,I5,I6,I 8,I9,I14,I15,I16,I 17

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Dimensions (variables)	Open coding (Components)	Axis coding (subcategories)	F
		services and improving the quality of the above services, closer collaboration between the government and the private sector, updating the national document on entrepreneurship development and small and medium business, improving information dissemination and enforcement of laws and regulations for small businesses, and meanwhile, improving the business environment of the country and increasing the attraction of direct foreign investment and the presence of efficient foreign companies in the country	
	Transfer and use of new and emerging technologies	To track the developments of new technologies and to know about the process of their upgrade and development, timely updating of the technologies used, the innovative use of technology through the creation and enhancement of the necessary capabilities and capabilities, research and development, and knowledge generation, especially through collaborative and collaborative projects with well-known international companies, the use of technological opportunities	I1,I2,I3,I4,I5,I6,I7,I10,I11,I13,I14
Innovation	Creating and developing knowledge	The amount of knowledge generation, the type of knowledge developed	I1,I10,I14,I15,I16,I17
	Dissemination of knowledge	The value of chain and the division of labor, the degree of diversification of expertise required and the existence of a wider labor market, the number and size of industrial networks and clusters, the degree of research and technology cooperation between universities	I1,I2,I4,I8,I111,I13,I15,I17
	Guidance and direction of research and innovation	Practices and perspectives for potential growth and the approach of scientific and technical communities to technology, priorities and policies	I1,I4,I5,I6,I7,I8,I9,I10,I11,I12,I13,I14
	Entrepreneurial activities	Entering productive companies, innovation and entrepreneurs, the role of governmental entrepreneurship	I1,I2,I3,I4,I5,I6,I7,I8,I9,I10,I11,I12,I13,I14,I15,I16,I17
	The formation of innovative markets	Incentives and institutional mechanisms of market formation, customer type and buying behavior	I1,I2,I5,I11,I12,I13,I14,I15
	Providing and allocating innovative resources	Provision and allocation of research and innovation funds, and the existence of venture capital	I1,I2,I3,I4,I14,I15,I16,I17
The process of policy-making	Small and Medium Business Development Policies	Disciplinary and deterrent policies, distributive policies, redistribution policies, legal-political policies	I1,I2,I3,I4,I15,I16,I17
	Policy-making bodies	Governance institutions (out of government), state institutions, public institutions	I2,I3,I4,I5,I6,I7,I9,I10,I11,I12,I13,I14,I15,I16,I17
Small and medium business development	Strategic Performance	Optimal portfolio management of goods and services, investments, promotion of labor and capital productivity, production of high value added products and services, promotion of stakeholder satisfaction, social responsibility, branding, corporate governance implementation, observance of environmental considerations and requirements for sustainable development, identification and presence of and development of target markets, alignment with the country's macroeconomic, social and political policies, synergies with other related businesses and networking, industrial clusters, increased bargaining power and business competitiveness, the use of information technology and business intelligence	I1,I2,I3,I4,I5,I6,I7,I9,I10,I14,I17
	Operational Performance	The amount of return on investments, the increase of the level of expertise (knowledge and skills) of managers and staff, the increase in product / service sales, the growth of product / service profitability, the improvement of business enterprise processes, risk management and strengthening internal controls, increasing the speed and quality of post-service, increasing market share and attracting emerging customers	I1,I2,I3,I4,I5,I6,I7,I9,I10,I11,I12,I13,I14,I15,I16,I17

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The analysis of codes and sub-codes is as follows:

According to the literature review and interviews, the effective key factors on the development of small and medium enterprises in Iran were extracted as shown in Table 5.

Table 5- Effective key factors on the development of small and medium businesses in Iran

Title	Factors/ Components	Sub measures
Effective key factors on the development of small and medium businesses	Access to resources	Facilitating the provision of financial and capital resources, providing initial capital for start-ups and hazardous activities, granting public subsidies for setting up a new business and risky activities (interest rate, duration of respiration and repayment, loan guarantee), improving access to and supply of raw materials, improving access to information needed through the establishment of specific systems and information flows between supportive organizations, entrepreneurs and small and medium enterprises, development of financial institutions and trust funds for business Small and Medium Sized Enterprises increasing the share of Small and Medium Businesses in the allocation of resources of banks and credit institutions of the country
	Rules and Regulations	The degree of coherence and compliance of the laws and regulations related to business development with upstream laws, the formation of power lobbies, the modification of supportive provisions to reduce the cost of creating new businesses and establish healthy competition, the provision of financial incentives and insurance and taxation, the preservation of intellectual property rights (the protection of patents, designs, copyright and trademarks) and physical protection and the protection of particular groups (women, youth, ethnic minorities, people with disabilities), the consolidation of laws and administrative and procedural rules, the amendment of administrative procedures and rules, and the removal of abusive regulations to simplify and facilitate the process of creating a new and closed business, (enforcing bankruptcy laws and facilitating the liquidation process for insolvent companies) and improving the business environment for emerging and growing companies
	Market access	Fast and easy access to knowledge, information and markets, and facilitating the presence of target markets, the structure of competition in the markets, the diversity of services and products, scale-saving savings through the establishment of the industrial network and cluster, the share of government consumption in the economy and supporting the production and consumption of domestic goods, the role of the market in providing timely and optimal resources, regional cooperation and the expansion of international political interactions, price sensitivity in the market and facilitating the export process
	Entrepreneurial culture and behavior	Management support and encouragement in innovative / entrepreneurial activities and the introduction of successful entrepreneurs, attention to the personal and psychological characteristics of entrepreneurs and the selection of talent and entrepreneurship education, and training (providing entrepreneurship education and business creation and development skills, and developing business plans at universities, and establishing and expanding growth centers to help grow small and medium-sized units of knowledge), promoting entrepreneurship culture and promoting entrepreneurial activities (activity rates) entrepreneurship and the number of innovative businesses), the transfer and exchange of knowledge and experience of entrepreneurs and activities, entrepreneurial / knowledge transfer of skills
	Infrastructure	Development of legal, professional and commercial infrastructure (business development, accounting and legal services) and physical (development of transport, water and electricity infrastructure, communications / information technology, and other industrial infrastructure); Providing various government support programs in financial, educational, informational and advisory sectors, stability in the country's macroeconomic policies and indicators (exchange rate, inflation, tax, foreign trade, financial markets), government programs to help growth of emerging companies at national level and the regional and long-term sustainability of their activities in the long run, the merger of government agencies providing services to SMEs focusing on services and improving the quality of the above services, closer collaboration between the government and the private sector, updating the national document on entrepreneurship development and small and medium business, improving information dissemination and enforcement of laws and regulations for small businesses, and meanwhile, improving the business environment of the country and increasing the attraction of direct foreign investment and the presence of efficient foreign companies in the country

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Title	Factors/ Components	Sub measures
	Transfer and use of new and emerging technologies	To track the developments of new technologies and to know about the process of their upgrade and development, timely updating of the technologies used, the innovative use of technology through the creation and enhancement of the necessary capabilities and capabilities, research and development, and knowledge generation, especially through collaborative and collaborative projects with well-known international companies, the use of technological opportunities

According to the background of the research and interviews, effective governance institutions on the development of small and medium business development strategies were extracted as shown in Table 6.

Table6. Effective Governance Governments on the Development of Small and Medium Business Development Policies

Titles	Bodies	Subdivision
Policy-making bodies	Governance institutions (Out of state)	Supreme Leader, Expediency Council, Judiciary, Administrative Justice Court, Islamic Consultative Assembly, National Court of Justice, Guardian Council, Supreme National Security Council
	State institutions	Governmental Board, Planning and Budget Organization, Central Bank, Government Banks, Vice President of Science and Technology, Presidential Women's Deputy, Ministry of Co-operation, Labor and Social Welfare, Ministry of Science, Research and Technology, Ministry of Education, Ministry of Culture, Ministry of Industry, Mining and Commerce, Ministry of Foreign Affairs, Chamber of Commerce, Ministry of Economic Affairs and Finance, University Jihad, Statistical Center of Iran, Ministry of Defense and Armed Forces Support, National Standards Organization, Free Trade Zone, Special Councils, Supreme Councils : Cultural Revolution, Information, Research and Technology, Applied Training, and Supreme Administrative Council
	Public institutions	Nongovernmental institutions and institutions such as municipalities, associations and NGOs, trade unions, manufacturing, distributive and service unions, the national industry association, registered scientific and industrial associations, the provincial council , Islamic city councils and neighborhood and rural council

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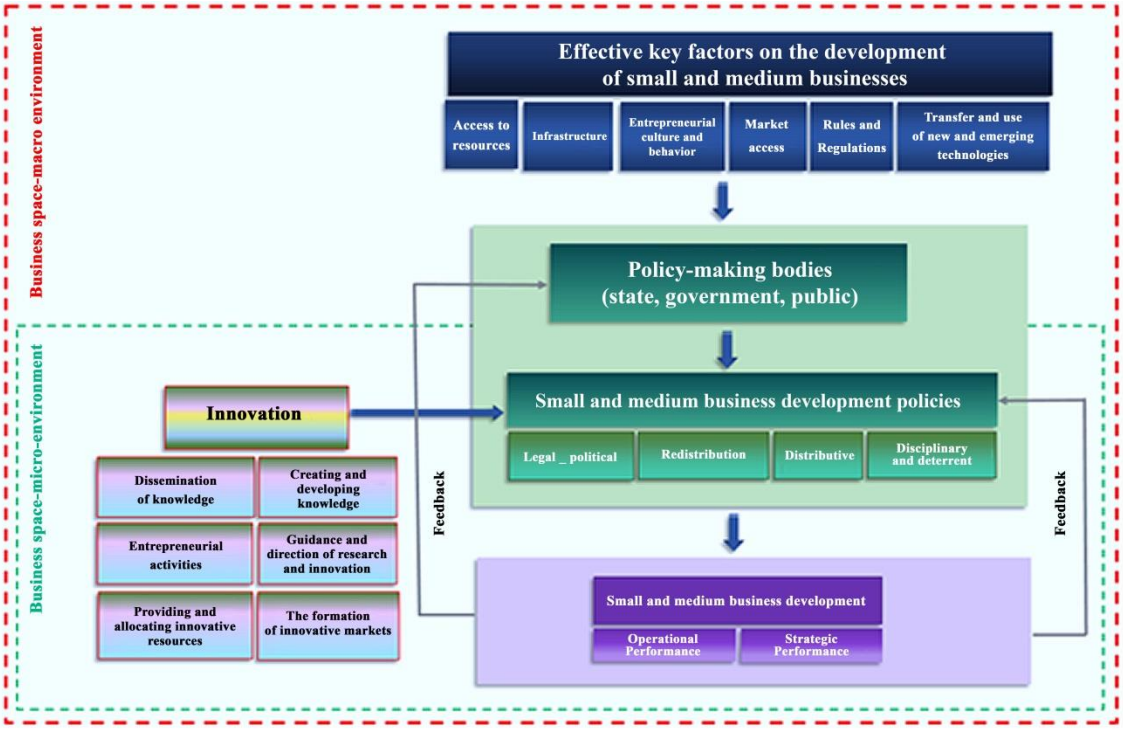

Fig1. Policymaking Model for the Development of Small and Medium Business Emphasizing on Innovation in Iran

6- Conclusion and Discussion

In this research, it has been tried to develop a suitable model for the development of policies for small and medium-sized businesses with an emphasis on innovation, so that policymakers, using this framework, will understand the important factors in business development and, and consider the appropriate weight to the allocation of financial, human and timely capital. Given the diverse dimensions of this research, each component has suggestions for policy makers and managers.

In the dimension of factors associated with business development, attention to competitive advantage and market can be considered as one of the most important factors that it has not been considered in the development of Iranian businesses. Competitive advantage in business development and business practice forms the basis of the idea and potential of the product, and its intensity and duration are two main factors determining the success of business operations. The inaccuracy of this problem makes entrepreneurs a long-term idea that has a competitive advantage in a short time and after a while, the advantage is gone, but the company is still busy without losing its advantage. This is more important, especially in IT markets, which is characterized by its fast-growing, highly variable nature, which makes the time for benefits to expire very soon. Therefore, it is suggested to consider the competitive advantage of the idea and industry in developing the policy in Iranian businesses at the beginning of the idea, to measure it correctly, and to become aware of the duration of its sustainability, the factors threatening it and its potential profitability.

In the dimension of innovation factors, the characteristics and functions of national innovation systems and its emphasis on further policy development are evident. Development of product innovation, a set of ideas, product design,

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correct selection of the target market, the formulation of a suitable strategy are among the components involved in product development. Due to the nature of the imitation of innovations, large parts of these components are made by simulating and copying the content and the apparent changes and indigenization. The biggest issue in this dimension is the ability to localize as an application to the domestic market. For example, in a situation where many of the world-class new innovations are based on cloud computing, in our country, because of limited network access, it is not possible to take advantage of many capabilities, and consumers need offline instead. In such a situation, the use of programmers and professionals who can properly make the necessary changes is one of the issues of entrepreneurial companies.

One of the most important research proposals in policy development is scheduling policies. In fact, the most important finding of research in this regard is the lack of timeliness by policy makers. Given the entrepreneurial spirit of continuous innovation, it is recommended that policy makers present their policy packages based on the speed and innovations that are being offered to the market so that these policies to be in line with their businesses and performances.

Attention to products and services to create and develop policies was another result of the research. The analysis showed that policy makers often focus on existing products and services, and less focus on future products and services. Therefore, attention is drawn to future-oriented content and emphasis on business models in business development policies.

The use of entrepreneurial behaviors was recognized as one of the most important features of the company. Opportunity, agility and learning were the most important of these behaviors. Although most Iranian companies are considered as aggressive but because of their low level of learning, and especially the lack of self-assessment of their competitive advantage, they cannot continuously benefit from this agility to take advantage of environmental opportunities. Moreover, the level of corporate entrepreneurship management can be seen as a managerial level rather than entrepreneurship. However, the characteristics of these companies require entrepreneurial management. Hence, policymakers should focus on developing a policy for small and medium-sized businesses.

In the dimension of infrastructure related factors, it can be said that Iranian entrepreneurs have had an acceptable performance in facing challenges and opportunities. The use of opportunities created by sanctions broadly reflects the companies' interest in using environmental opportunities. On the other hand, launching market information systems by each company to counteract the vacuum created by the lack of such a learning system is an attempt to fill this need. However, it seems that the establishment of trade unions to create a comprehensive information system that can be used by all companies is a good way to deal with environmental threats. Such an approach can affect the other two components of the infrastructure, namely the distribution system and the legislative infrastructure.

In addition, according to the background of research and interviews, disciplinary and deterrent policies for the development of small and medium businesses are:

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1. Establishing entrepreneurial offices in all executive agencies and universities

2. Establishment of the entrepreneurship organization of the country

3. Developing and strengthening counseling, information and entrepreneurship services in the provinces and regions, and networking between them

4. Establishing mechanisms for networking and clustering of entrepreneurial activities

5. Establishing the necessary mechanisms for the development of entrepreneurial organization

6. Establishing mechanisms for national and transnational engagement of entrepreneurs, developing, and strengthening national and transnational networks of entrepreneurs, scientists and researchers, and international cooperation with the priority of Islamic countries and Persian-speaking countries

7. Creation of specialized mother companies for attracting micro-savings for entrepreneurship development

8. Establishing mechanisms for recruiting Iranian entrepreneurs abroad

9. Establishing mechanisms for effective interaction of entrepreneurs with growth centers and science and technology parks

10. Creating specialized data bank for entrepreneurs both inside and outside the country

11. Establishing the mechanisms necessary for the implementation of models of angels and benefactors of entrepreneurship

12. Establishing mechanisms for transferring research and development results to economic sectors

13. Organizing and ranking the scientific associations and companies of science and research institutes more effectively and supporting the referral of work to them

14. Supporting the development of advanced skills training with the participation of the private sector, in order to increase the country's share of international markets

Moreover, according to the background of the research and interviews, the distribution policies for the development of small and medium businesses are:

1. Carrying out studies on the institutionalization of thought culture

2. Promoting the ethics and behavior of entrepreneurship and value creation emphasizing on the role of the family

3. Planning to change attitudes towards creativity, innovation and entrepreneurship

4. Study and review of rules and regulations with the institutionalization of entrepreneurship culture

5. Optimal use of all media capabilities to promote entrepreneurial culture

6. Establishing and launching an entrepreneurship network in the Islamic Republic of Iran

7. Programming the change of organizational behavior to transform existing organizations into entrepreneurial organizations

8. Establishing the mechanisms necessary for implementation of the excellence models of entrepreneurial organizations

9. Conducting entrepreneurship festivals to reward entrepreneurs and promote the culture and spirit of entrepreneurship in the country

10. Holding entrepreneurship exhibitions at provincial, national, regional and international levels

11. Documentation and modeling of the life and thoughts of the prominent and influential entrepreneurs of the country

12. Reforming and restoration of the structure of cultural institutions in

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accordance with the Islamic-Iranian culture and entrepreneurship, and enhancing the interaction between the academic institutions and cultural institutions

In addition, according to the background of the research and interviews conducted, redistribution policies for the development of small and medium businesses include:

1. The use of various mechanisms and incentives, including tax exemptions, aids, loans, customs duties and tariffs to strengthen entrepreneurs and knowledge-based enterprises

2. Establishing the mechanisms necessary to bridge the link between domestic and foreign investors and entrepreneurs

3. Creating the necessary mechanisms for implementation of successful open innovation models in order to grow mutated entrepreneurship activities

4. Localization and implementation of measuring models for indicators of entrepreneurial economics

5. Creating integrated management for investor entrepreneurs

6. Establishing and developing the necessary infrastructures for entrepreneur investors, emphasizing the country's competitive advantages and wealth creation, along with the development of green technology, human and climate protection

7. Organizing the financing system of entrepreneurship development, focusing on the provision of capital from the owner or venture capital investor

8. Constant and coherent communication between the production, dissemination, application and development of knowledge and the process of converting the idea to the product

9. Determining the competitive advantages and priorities of the country for investor entrepreneurs

10. Increasing the role and contribution of the government in supporting entrepreneurship development, focusing on the provision of capital from the owner or venture capital investor

11. Compliance with existing laws and the development of appropriate legal mechanisms for the development of entrepreneurship, focusing on the provision of capital from the owner or venture capital investor

12. Supporting the interaction of research and industrial sectors through the creation and development of research and technology networks, the establishment and expansion of knowledge-based companies affiliated with universities and research centers, as well as the transfer and commercialization centers of the idea and technology with emphasis on the competitive advantages of the country and the preservation of the environment

13. Providing mechanisms for the creation and development of institutions such as IP offices and patents in universities and research and development centers, multinational R & D centers in the private sector, innovative mother companies, and risk venture funds

Furthermore, according to the background of the research and interviews, the legal and political policies for the development of small and medium businesses are:

1. Pathology of the existing status of the provision of services and support, whether financial or non-financial to entrepreneurs, and improving existing methods

2. Revising and amending existing laws and regulations with the aim of facilitating business and developing an entrepreneurial economy and creating values

3. Establishing mechanisms for the development of investment in entrepreneurial activities, including attracting joint investment,

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foreign direct investment, attracting foreign capital from Iranians and ...

4. Creating the necessary mechanism for changing the philanthropic approach towards supporting entrepreneurial activities

5. Introducing new insurance laws to secure the risk of risky entrepreneurship investments

6. Creating the necessary mechanisms to support the legal and judicial support of entrepreneurial products (intellectual property protection)

7. Specific rules and regulations in the field of import and export of inputs and products of entrepreneurial enterprises and sale of R & D, technology and IPs

8. Preparing legal ground for supporting entrepreneurship based on knowledge, innovation and science and technology

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