

REDUCING SHORTAGES IN ENTREPRENEURIAL/ MANAGERIAL SKILLS IN GROWING SMEs THROUGH PURPOSEFUL SUPPORTING STRUCTURES AND ACTIVITIES

*by Kiril Todorov**

INTRODUCTION

No doubt, SMEs as a whole have a significant role in the national and world economy. This role most often is connected /by Governments/ with decision of employment problems and partially regional development problems. SMEs' role in the economic development process is underestimated as well as their contribution to business growth and diversification, technological development /though of separate SMEs groups/ and business internationalization /mostly in the framework of subcontractor chains and strategic alliances/.

In transition countries, concretely these ones in Central and South East Europe entrepreneurship and SMEs play unique role in terms of:

- Change in economic structure and SMEs' size: from domination of big enterprises in the centralized economy to total SMEs prevalence nowadays – with few exceptions in East Europe /Russia and Ukraine/;
- Development of new (entrepreneurship oriented) business culture that fosters rational risk taking, self-responsibility, and social solidarity in the separate layers of society;
- Formation of strong middle class on the base of significant number of family, micro and small owners, managers, and professional experts.

Therefore, entrepreneurship activity expressed in predominant number of SMEs is the main engine of the transition and changes in economy and society (people). Unfortunately, past experience in entrepreneurship development in Central and East European (CEE) and South East European (SEE) countries indicates that Government institutions rely mainly on new ventures creation in low value added economic sectors and there is less attention paid to growing SMEs. If we are to express this more clearly, the vast majority of SMEs (family and micro- businesses) form the skeleton of economy and as regards *growing SMEs – they are the engines of economy*. This underestimation of growing SMEs and their management is a

* Professor on Entrepreneurship; Director of *Institute for Entrepreneurship Development (IED)*;
Chairman of *Bulgarian Association for Management Development and Entrepreneurship (BAMDE)*;
Vice-president of *European Council for Small Business (ECSB)*

function both from inadequate support of policy makers and *lack of appropriate knowledge and skills in entrepreneurs* (which are also managers in most of the cases). In other words, the problems with growing firms as a whole could be characterized with the following:

- chaotic and uncoordinated, not so well planned growth (personal experience and intuition of entrepreneurs are leading), little willingness to learn;
- lack of adequate management methods - because critique mass of researchers and financing in this area is absent; in most of the cases instruments from big enterprises practice are mechanically transferred;
- insufficient preparation and methodical and practical experience of trainers;
- absence of targeted government support for growing and export firms which create high value added – especially in the case of high-tech SMEs.

The necessity to overcome these problems, related with growing SMEs and their owners/ managers has led to development of an acting model with common efforts of specialists both from the Institute of Entrepreneurship Development /IED/ at the University of National and World Economy – Sofia and the Bulgarian Association for Management Development and Entrepreneurship /BAMDE/. The proposed model is currently acting both in the field of scientific research, consulting and training and is oriented to satisfy needs of growing firms and entrepreneurs.

The aim of the paper is: to present the basic elements and relations of an acting model for reducing the shortage of entrepreneurial/ managerial knowledge and skills in management of growth in Bulgaria. To illustrate that the model which is using targeted established structures and activities in University and a professional association could be adapted and applied in the practice of growing firms in the countries of CEE and SEE.

1. Some basic characteristics of growing SMEs in transition countries and insufficient knowledge and skills for management of growth in both entrepreneurs and managers

1.1. Influence of transition and its specifics on SMEs and entrepreneurship

The unique transition from planned to market economy has ‘produced’ a number of effects - unknown before in transformation of social and economic systems, such as:

- Change in structure and orientation of economy – from exclusive orientation towards COMECON countries (dominant one) now toward European Union one;
- Change from prevalent significant number of big firms which has proved to be ineffective and had secured markets with unpretentious customers to privatized down sizing enterprises and appearance of huge number of new established SMEs;
- Appearance and intensification of competitive forces especially in the last years; transition from long-term to strategic planning approach;
- Development of new market-oriented business environment in which the state plays less and less important role;
- Transition from a preliminary phase of ‘vacuum’ and wait-and-see approach to phase of consolidation of changes in economy and people; increase in differences between separate age groups and professional groups; appearance of structural unemployment for some professions and intensified demand (shortage) in other professions;
- Mobility of managers and experts (mainly with technical education and background) from ‘downsizing’ and big enterprises which had failed in the field of private business initiative through establishment of new SMEs. All of them bring a specific behaviour features left from their work in big centralized enterprises working in low competitive environment;
- Lack of experience in the new established administration for SMEs support, neglecting important groups as: high-tech, exporting, academic, minority and growing entrepreneurs;
- Lack of specific ‘know-how’ for SMEs, their entrepreneurs and managers due to the insufficient critique mass of researchers, trainers, and consultants. Here should add also the lack of preparation of the educational institutions themselves as universities, colleges and business schools, for which ‘the big is *still* beautiful’! As a result, for serving the needs of concrete (groups) SMEs approaches and methods are attracted from the theory and practice of the big enterprises, very often in mechanical way.

Therefore, the uniqueness and specifics of transition in the countries of CEE and SEE largely predetermines the specifics and problems in provision of 'know-how' necessary for the needs of concrete SMEs.

1.2. Specific features, state, and problems of management of growing firms and preparation of their managers and entrepreneurs

The uniqueness and specifics of transition from planned to market economy have great influence over growing SMEs and knowledge and skills of their entrepreneurs. To explain this we should mention the fact that majority of SMEs entrepreneurs are managers also. Most often in the process of growth they are obliged to have entrepreneurial behaviour, taking higher risk, searching and forming coalition of interests, lobbying with different 'stakeholders' and depending to a great extent on the 'probe and mistakes' method. At the same time, they have to act as managers, producing everyday already established product/s/ on the market, coordinating different skills and activities, making the management system to work rhythmically, keeping the standards. This mixture of actions leads to a confusion in their business behaviour.

If we are to add here the lack of practically oriented 'know-how' in terms of training, consulting, and lack of targeted support from the respective institutions, the summarized picture characterizes with following:

- Uncoordinated growth of enterprises, very often 'market-driven' without existence of strategy for growth; the growth is based on the 'experience curve' and intuition of the entrepreneur-manager;
- Sporadically growing firms could be characterized with: organizational structure mechanically established without vision; casual selection of predominant part of the personnel; absence of management information systems (MIS); underestimation of the process of transformation from 'entrepreneur's culture' to organizational culture;
- Absence of target development of knowledge and skills in management of growth, including:
 - Decentralization of activity
 - Priorities, effectiveness and efficiency in resource planning and management of growth;

- Lack of selective motivation and development of personnel;¹
- Leadership shortages (especially important in high-tech SMEs where the leading specialists hardly stand authorities);
- Lack of specific knowledge in Marketing, Human Resource Management and Finance (most of the entrepreneurs/ managers have technical education as already mentioned) and how to be combined in the process of growth;
- Very important point is the lack of communication knowledge and skills for leading business negotiations – including in international business environment. This is especially valid in the case of internationalization of SMEs' activity.

2. University model for generating and developing entrepreneurial knowledge and skills for growing SMEs

All mentioned above along with results obtained in various researches² led us to the conclusion that there is essential 'gap' between necessity and existence of knowledge and skills in management of growth. Since there is an overestimation of this 'gap' in CEE and SEE countries, we will present a model and examples for overcoming the 'gap' in Bulgaria, analyzing experience of an leading University and then through professional Association.

Here we have to point out that the success of this university model is due to the personal engagement and active participation of leading researchers, trainers, and consultants. In the process of creation and development of the model, they themselves have to overcome various barriers: from the opposition of some professors (nomenclature) to permanent shortages of resources. IED's activity for example is wholly self-financed already 12 years, which is connected with overcoming various difficulties. The payments by different projects for example could not be transferred to the IED account, in order to be distributed to the same persons participating in the project and so on.

In order to acquire knowledge and skills necessary for the management of growth we have two basic options:

¹ In order to illustrate this here we could mention the case when 'owner' of specific knowledge and skills such as software specialists in ICT firms has qualities as egocentrism, difficult teamwork, and low loyalty. For such cases a system for selective motivation and development is essential but most frequently such is missing.

² See for example Todorov, K., Kolarov, K., Kerezhev, I., Ruichev, R., '*Dynamic Entrepreneurs in Bulgaria: Current State, Trends, Needs and Training*', Sofia, 2004; Todorov, K., Damyanov, A., '*Internationalization, Interfirm Linkages and SMEs Development*', Sofia, edition of EDC, 1999; Todorov, K., Ivanova, Y., '*Strategies for Leading Business Negotiations in Multicultural Environment*', Journal of Economic Alternatives, University of National and World Economy, 2006

- a) Universities and their structures – mostly as regard students starting their own business with growth potential and students already started their business that has potential for growth as well. Here such knowledge and skills acquire also other students in entrepreneurship but not creating own business as a rule;
- b) In independent business schools, training centres (self-dependent or part from branch and other organizations). There the training quota includes acting entrepreneurs, managers, and leading experts (the firms of which are growing or have growth potential).

In this context, we will present in brief the model of the University of National and World Economy (UNWE) and the Bulgarian Association for Management Development and Entrepreneurship (BAMDE) – Sofia.

In the University of National and World Economy (UNWE), systematic education in entrepreneurship in bachelor's degree began in the spring of 1991. These are the disciplines: 'Entrepreneurship – start-up of new (own) business (obligatory included in the education plan of the respective speciality) in 6th term and Management of growth of SMEs in 7th term (selected discipline).

In 1995 in the framework of big international (PHARE) project, began the activity of Entrepreneurship Development Centre (EDC), currently Institute for Entrepreneurship Development (IED). Its basic objective is implementation of own researches in the field of entrepreneurship and consulting as the results are intensively used in the education process.

In 2006 in UNWE was created a self-dependent chair '*Entrepreneurship*', which to serve the developing education process. The same year a selected discipline 'Entrepreneurship foundations' was formed which to be studied in 4th term for all specialities. This year (2007) a new speciality '*Entrepreneurship*' was introduced.

Along with this, entrepreneurs and managers of firms (mostly created as a result from the education in UNWE) take part in the education process. This is the way that education process combines *scientific results, practical problems and decisions and methodical and didactic approach* – see figure 1.

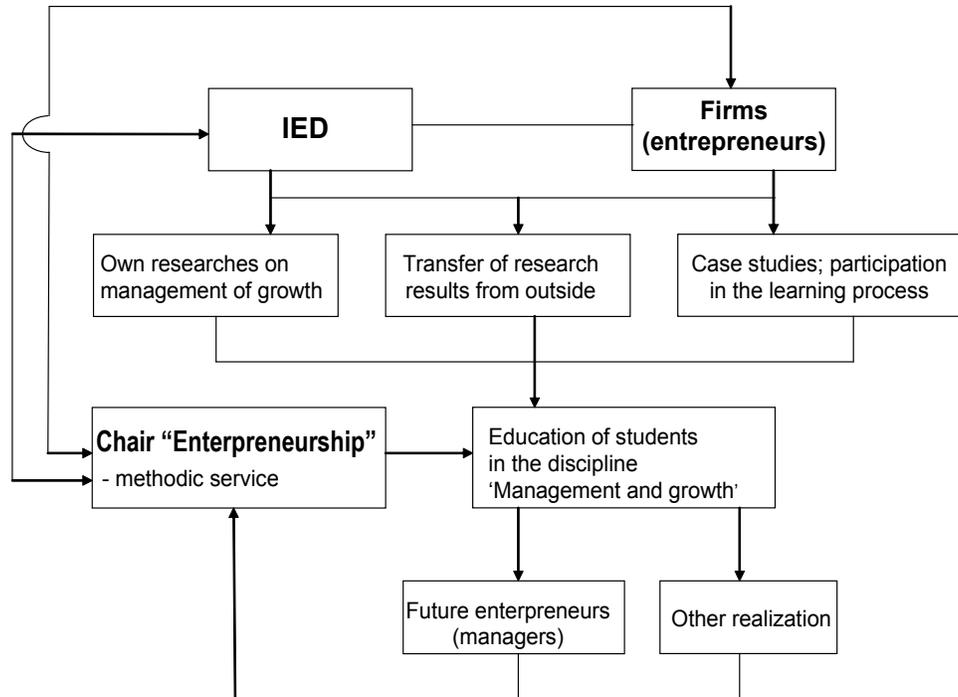


Fig.1. Interrelations between structures and activities in the education process on 'Management and growth' in the University (UNWE)

The educational process of students on Management and growth of the firm, as seen from Figure 1 includes three interrelated elements:

The first element includes scientific results obtained from the research work of IED as well as transferred and adapted results from the outside. These are results mainly from national and international research projects as well as from training and elaborations on specific problems of firms, including foreign ones.

The second element is the contribution of acting growing enterprises most of which are 'produced' by 'former' students, who have studied entrepreneurship. Their contribution consists of practical presentation of growth and its management: problems, influencing factors, particularities, necessity of support and so on.

The third one, conclusive element is the pedagogical and coordination activities of educational process performed by the Chair 'Entrepreneurship'. Its activity divides into two main dimensions:

- Own research activities and adaptation of results – mostly these ones coming from IED for the needs of education process. Most of the assistants and PhD students in

the Chair work as researchers in IED at the same time. PhD students from the Chair along with this write dissertations with theoretic and methodical content in the field of firms' start-up, management, and growth. That is to say that in fact is obtained a strong connection between research, practice, methods and pedagogic which causes the success of education process;

- 1) Adaptation and application of foreign best practices in the training, transferred from other countries – mostly through implementation of common projects.

The organization of education process itself on '*Management and growth of SMEs*' is the following:

Initially take place launching a round of lections, presenting problems, and tasks for learning an additional literature 50 % of it based on case studies. After that follows conduction of dirigible discussions, in which students play the roles of moderators, representatives, and opponents presenting different topics and case studies /consequently, the students exchange their roles/.

The next phase is presentation of entrepreneurs and managers from growing firms. They participate in a dirigible discussion with the students, who check the correctness of knowledge obtained in the previous phases as well as their preparation level. Thus are forming practically significant problems that are waiting a decision through scientific help.

The last one conclusive phase from the education process is development of projects by the students (grouped in teams of 2-3 people) on problems, formulated in consequence of discussion with entrepreneurs and waiting for solutions. The students make visits to firms, get necessary information, and finally defend projects in front of jury consisting of teachers, students, and acting entrepreneurs.

The projects are developing on themes such as: '*Strategies for growth of firm X*'; '*Identification of growth potential of firm Y*'; '*Growth through franchising or through formation of strategic alliances*', '*Participation in subcontracting chains/ entrepreneurial networks*'; '*Transition from entrepreneurial to organizational culture*' and so on.

The projects put the accent over:

- Market potential
- Firms' strengthens and weaknesses
- Management capacity needed for growth

- Priority resource distribution for growth
- Relations with stakeholders
- Price of growth; growth limit and so on

In this way, students obtain anticipating knowledge and to some extent skills in management of growth, that are especially valuable for them in their future development as professionals.

3. Training of entrepreneurs and managers on management of growth in BAMDE

Here we will illustrate the process of acquirement and development of entrepreneurial/managerial knowledge and skills by the intermediation of professional association in this field. This is the Bulgarian Association for Management Development and Entrepreneurship (BAMDE) established in the framework of a big international project in 1997. Its core objective is to facilitate the Bulgarian firms, entrepreneurs, and managers in order to form more proactive and competitive behaviour in a dynamic (including international) business environment through adequate knowledge and skills.

BAMDE has rich experience in training of both Bulgarian firms and foreign investors. For its 10 - year of existence BAMDE gained huge experience, especially in the case of training of growing firms.

This training for acting entrepreneurs and managers is developing in two separate directions:

- a) Open training courses – for representatives of various firms which have common needs as a whole or in definite areas of growth
- b) In-company training – here the training team make diagnosis of the problems of respective firms, combining experience and expert knowledge and experience of trainers. Since this direction is more successful though requiring more resources, we shall pause upon it.

For the aims of in-company training we have developed system of phases/ procedures which is proven to be successful in the real practice /Figure 2/.

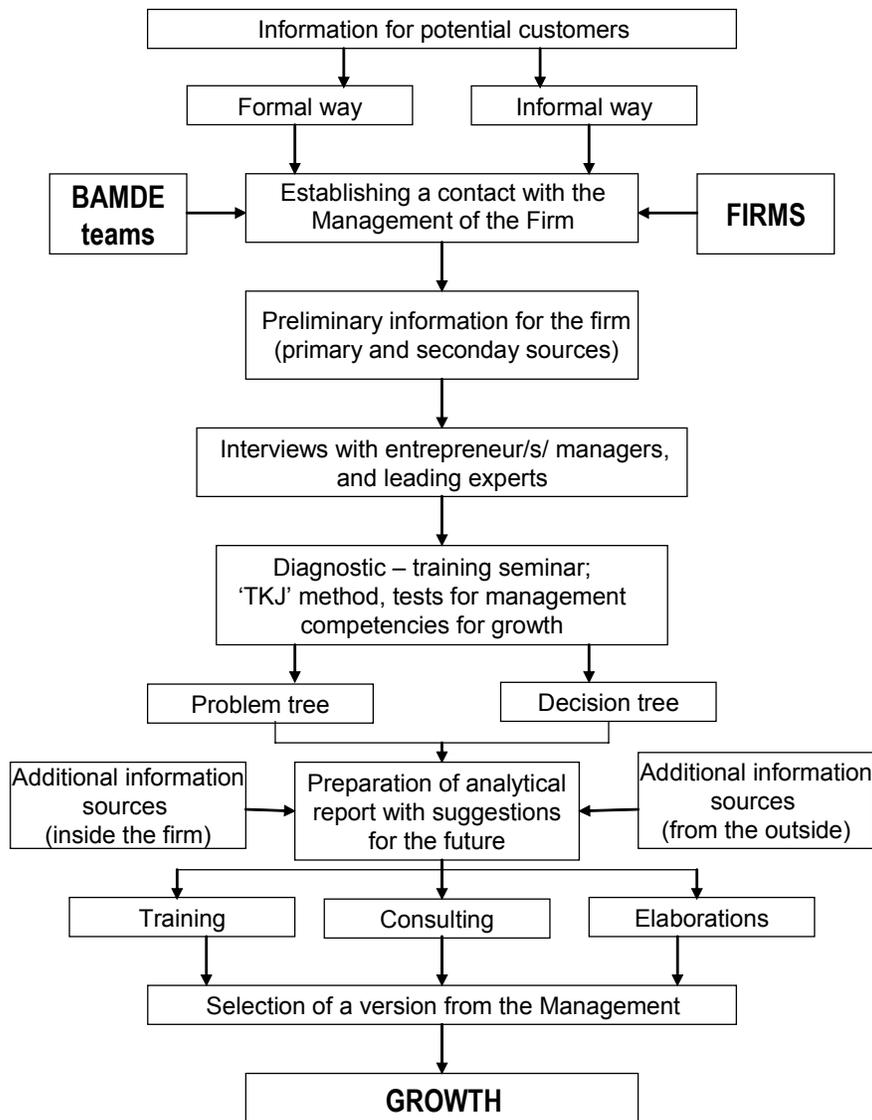


Fig. 2. Phases of in-company process of diagnostics, training, consulting and elaborations in management of growth

Here we should underline that (as seen from Figure 2) in countries such as Bulgaria firms establish contacts with clients mostly in informal way /channels/, rather than formal one. This reflects the peculiarities of national culture. The best way to establish such contact is a recommendation from previous firm – client (mostly on its own idea) to other partner firm.

From now on, the methodical procedure bases mainly on the ‘*Guide for In-company Training*’ elaborated with the common efforts of NEI (Netherlands Economic Institute) and BAMDE in the framework of a big international PHARE projects with participation of:

London Business School, Copenhagen Business School, Bocconi Business School, NEI and the consulting firm KPMG.

The first step is diagnosis of firm's state and its entrepreneurs/ managers and their adjustment to growth. Here follow few sub-steps:

- 1) Meetings with Management of the Firm in order to outline problems and opportunities in front of the firm using secondary information sources available. After that is forming an assignment for diagnosis and a 'starting' training of managers and leading experts.
- 2) Interviews with leading managers and experts from the firm are foreseen with two objectives:
 - a) Preliminary information about their common state and level
 - b) Orientation - how to distribute trainees in separate teams, with a view to implementation of diagnostics and training seminar, by means of TKJ method.³

The second step is implementation of diagnostic and training seminar (two days) which consists of:

- a) ½ day – introduction to the participants with management of a firm in dynamic, competitive environment, including international, multicultural business environment;
- b) Implementation of the play 'TKJ'. By means of this method the teams (2-3 for a firm on the average) identify firm's basic problems (level of appearance – cause and effect), priorities to be decided which are presented as a 'problem tree'. Meanwhile teams elaborate main directions/ alternatives for decision of problems identified, presented as a 'decision tree'. After that representatives of the separate teams develop '*integrated problem and decision trees*', which appears to be the common vision of the key personnel.

After presentation of 'problem and decision trees' in the second day seminar envisages tests for defining the level and management competencies for growth, and diagnosis of the state of organizational structure through 'Haristi – Haidi' questionnaire. The questionnaire is used for diagnosis of potential which organizational culture has to support growth of the firm.

³ TKJ (Team Thinking – Kawakita Jiro Method) – method for integrated (team) understanding of firm's problems and directions for their decision; Adapted by the author for the needs of Bulgarian firms from the practice of Osaka Management Centre (Japan)

The third step is preparation of analytic report, based on steps 1 and 2 and the information gathered in addition. The report reflects summarized problems of the firm and concretely these ones related to growth and point out adequate decisions (growth potential, growth limit and prize of growth) as well as resources necessary for growth.

The forth step concerns selection of the management team, ‘what to be done and how to do it’, and preparation of guide with specified parameters for achieving and control of the expected results. After signing a contract with respective training/ consulting organization follows implementation.

The implementation put the key accents over problems such as: selective motivation of leading experts (specially in the case of ICT firms); transformation of organizational culture in intended direction when selecting new personnel; leadership; selection of personnel; the combination between entrepreneurial and managerial skills (the growth by new product and keeping the level (standards of product already established), etc.

The fifth step is control over performance according the planned indicators and eventually actualization of the Guide. Most frequently in the performance additional questions appear and they have to be reflected in the actualized plans for implementation.

CONCLUSION

The models for diagnosis, training, consulting and elaborations for growing firms and their entrepreneurs, presented in the paper has been checked many times in the Bulgarian practice, including in the practice of foreign strategic investors. Using own and adapted researches is to prevent lack of sufficient theoretic and methodic results necessary for the growing firms in transition countries.

Especially useful is the combination between IED, firms and ‘Entrepreneurship’ Chair. In order to establish this model and put it in practice a *period of 15-16 years was necessary*. Establishment of a model concerning BAMDE took at about 12 years.

We could say there is no doubt that this model could be applied in the transitioning countries if there is institutional support available as well as finding of motivated facilitators with developed informal networks for influence. Following the model of UNWE and BAMDE foreign firms could avoid many problems and mistakes and to adapt them in a relatively short period.

The support of growing firms as generators of growth, and implementation of transition toward market economy need to be turned into a priority task of the science and the policy makers concerned.

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