

E-Business Managerial Aspects, Solutions and Case Studies

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Chapter 3

SME Managers' Required Entrepreneurship and Business Competences

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ABSTRACT

In a dynamic and competitive world, understanding the knowledge, skills and competences that managers of small and medium enterprises (SMEs) require is an important endeavour, to ensure that both academic and business training institutions offer well formed programs/courses and curricula. Several studies, conducted by academic researchers and business associations around the world, focused on identifying managers' skills and competences, but there isn't an overall perspective on today's requirements of European SME managers. This is a critical aspect because managers' competences strongly influence enterprises' competitiveness and, therefore, the economic competitiveness of countries themselves. To

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help overcome this problem, the authors conducted a study in six European countries through a literature review and several interviews with business associations' executives. The result is a list of 34 competences, which the authors organized in four categories: personal; team management; business; and technical. These competences are presented and discussed in this chapter and show that an SME manager should be well prepared in a rich set of complementary areas to perform her/his job. The findings enable a better understanding of the profile of SME managers from the point of view of required competences, and may help in the design of new training programs to fulfil the identified needs.

INTRODUCTION

SMEs' economic context is inherently unstable: great economic expansion cycles are followed by significant retraction ones. Therefore, companies must pay permanent attention to changes and be ready to act in a very dynamic way.

As a top leader within a company, a manager is the architect and central engine of the company's ability for competitive development. She/He must combine a diversified set of competences to lead the company towards the right direction.

This article presents a Framework of SMEs' competences, resulting from a study conducted in Austria, Finland, Greece, Italy, Portugal, and Romania with the objective of identifying which competences SME managers must develop.

Having an important role to play in this context, universities and professional training institutions may find in this Framework a useful instrument to prepare their training offer.

The first section of this chapter presents the results of recent studies on this matter. The section methodology highlights the research process used in our study. In the main section, a framework of competences for SME managers is presented. Finally, the chapter ends up presenting some opportunities for future development of this study.

BACKGROUND

Across the 27 member states of the European Union (EU), there are about 19.6 million small

and medium-sized enterprises (SME) in the non-financial business economy, with up to 250 employees, representing 99.8% of all businesses and 67.1% of the non-financial business economy workforce – about 85 million jobs (Schmiemann, 2008).

Between 2002 and 2007, the number of SMEs has increased by over 2 million, the number of large enterprise by only 2,000. Most that new firms are created in the service sector and are micro enterprises (Audretsch, van der Horst, Kwaak, & Thurik, 2009).

To support the growth and development of existing SMEs and promote the creation of new SMEs, the European Commission (EC) adopted in June 2008 the 'Small Business Act' for Europe, reflecting the EC political will to recognize the central role of SMEs in the EU economy, by providing a comprehensive SME policy framework for the EU and its Member States (EC, 2008).

Yet, in spite of the important role played by such firms in the European economy, there is a lack of specific training for people heading and/or managing SMEs, and the training that is available "tends to serve either start-ups or medium sized firms" (NJMEuropean, 2000). Furthermore, training for heads of SMEs should be different from training for employees: heads of SMEs "exhibit activist and pragmatist learning styles, prefer learning by doing and favour problem-centred approaches that offer flexibility" (id., p. 3).

To clarify how we employ the notion of "competence" in the context of this article, we present some of the current dictionary definitions. From

the Grande Dicionário da Língua Portuguesa¹ (Machado, 1981), “competence” is defined as the ability of an individual to assess a problematic situation and find an adequate solution to it. Therefore she/he must have a number of qualities like aptitude to analyze and find out the right solution to a problem, knowledge, and experience related to the situation. The definition of the Dicionário da Língua Portuguesa Contemporânea² (Verbo, 2001) goes further and refers that competence should be understood as a set of theoretical or empirical knowledge or as a number of necessary qualifications that a person must have and master in order to achieve a certain goal. In the new Oxford Dictionary of English (Pearsall, 2001), the word “competence” takes a more practical meaning, as the ability of a person, in a determined sphere of knowledge, to perform an action efficiently and successfully. Finally, the Longman Dictionary of English Language and Culture (Longman, 1992) reinforces the previous ideas and relates to “competence” the ability to do what is required.

From these different definitions, the sense we give to “competence” in this article is the following: aptitude, ability or set of theoretical or practical knowledge necessary to achieve a certain purpose.

METHODOLOGY

To identify a group of rich, consistent, and coherent competencies necessary for today’s SME managers, the research followed a systematic process, as shown in Figure 1.

The first activity consisted in performing a brainstorming session with 11 participants from the six European countries involved in the study (Austria, Finland, Greece, Italy, Portugal, and Romania) including business consultants, business training professionals, and academics. Each country formed a workgroup to develop and support research activities from then on. This session

produced the master directives for future activities.

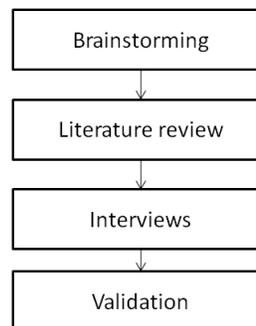
In the second activity—literature review—each workgroup in its country had the responsibility of identifying existing studies on SME managers’ competences. The systematic analysis of several works (BCC, 2008; HRAKK, 2009; Pichler, 2009) (Audretsch et al., 2009; DIDA, 2009; Klen, Pereira-Klen, & Gesser, 2009; Pais, 2003; Tampere, 2006) resulted in a first draft of competences organized in a first database with more than an hundred entries.

This activity was followed up by the elimination of redundancies and inconsistencies resulting in a considerable reduction of the database ending up in a list of 29 competences.

The third activity in the investigation process—interviews—was performed by each workgroup in each country. It consisted in identifying business associations whose activities were directed to support SMEs. Interviews were then conducted with their representatives (SME managers, executive officers or members of employers’ branches) by different means (mail, telephone or in person) in a semi-structured format. Their opinions on the previously-elaborated list of competences were assembled, allowing to evaluate the consistency of the first version of the Framework and to complement it with new information.

Finally, the last activity – validation – was performed. It consisted in confirmation by each

Figure 1. Research process



workgroup representative on whether she/he agreed with all the competencies identified until then and whether she/he considered them relevant and meaningful in his/her own country. This final activity included a last meeting with all participants of each country in order to assess the consistency/coherence of the formulation/definition of the identified competences.

This activity produced the final version of the Framework, which we present next.

COMPETENCES OF AN SME MANAGER

An SME manager needs a large set of competences in order to meet the different challenges of his activity. Considering the number and diversity of these competences, we found it useful to organize them in an *ad hoc* fashion, according to their general nature. Figure 2 presents this framework, which organizes SME manager competences in four categories: personal; technical non-financial; business & financial; and leadership.

In this context, personal aspects are all competences related to the manager's personality that are vital in order to manage an enterprise effectively. Team management aspects are all the competences that are needed in order to create

and lead a team and make full use of each team member's capacities. Technical aspects are all competences that help the manager to fulfil everyday tasks and functions in the enterprise. Finally, business & finance aspects are all competences that allow a manager to deal with the basic financial and business tasks of the enterprise.

Table 1 presents the elements of each category of the Framework

Description of the Competencies

Attitude towards uncertainty and risk: Having the emotional framework to enable oneself to resist and overcome difficulties and failures, and a vision focused on a future positive result.

Innovative spirit: Having a tendency to discover new ways of doing things, and a mindset towards the development and implementation of original products, processes etc.

Fulfilment of tasks and goals: Ability to have a focus on achieving goals, objectives, requirements, needs or desires that the manager defined for himself/herself.

Self-confidence: Ability to believe in one's personal competences and abilities to perform successfully.

Figure 2. SME manager's entrepreneurship and business competences' framework

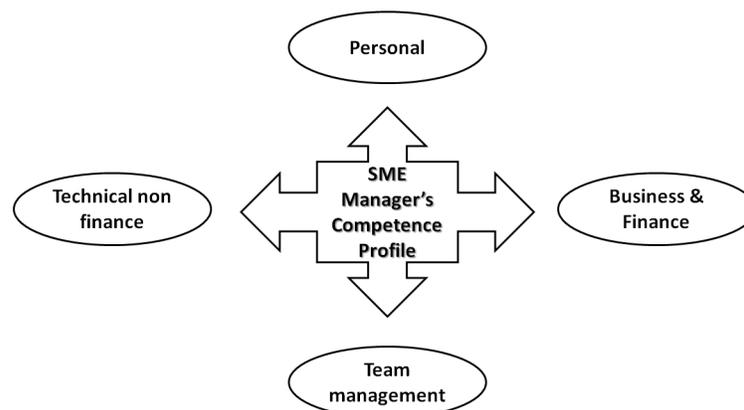


Table 1. SME manager's entrepreneurship competences

Category	Competence
<i>Personal</i>	Attitude towards uncertainty and risk Innovative spirit Fulfilment of tasks and goals Self-confidence Communication skills Ability to discover new opportunities Conceptual ability
<i>Team management</i>	Negotiation and decision-making Time management for one's own work and the team's work Communication to the team of very clear expectations of performance Regular supply of feedback to the team on its performance Full use of the capacities and knowledge of the team Promote mutual confidence Develop autonomy of a group Raise awareness of collective responsibility Ability to build and lead a team (leadership spirit)
<i>Technical non finance</i>	Ability for project management Ability to create and provide Strategic/Tactical/ Operational plans Management of human resources from an organizational perspective (allocation/attribution of tasks) Management of other resources (non-human) Awareness of corporate social responsibility Knowledge of the administrative/bureaucratic process for founding a company Knowledge of the legal requirements for business Knowledge of the most important legal forms of business ownership Process analysis and change management
<i>Business & Finance</i>	Knowledge of general business conditions and functions Knowledge of what to think about when deciding whether to found a business or not Knowledge of foreign trade and international trade relations Distinguish the financial issues between different company sectors (manufacturing/ services) Management of the different performance functions within an enterprise Understanding of different forms of financing (self-financing, external financing) Basic sales-planning skills Knowledge of accountancy and taxes Ability to plan and control: direct costs, overhead costs, cost prices, gross and net sales price, and earnings/profits

Communication skills: Ability to share clearly and effectively thoughts with others, including discussions/arguments.

Ability to discover new opportunities: Ability to identify clearly the business environment, its changes, and opportunities for success.

Conceptual ability: Ability for holistic abstract thinking about dependencies, connections & cause-effect relationships, and for understanding them.

Negotiation and decision-making: Goal-oriented and consistent ability to make common resolutions and conclude negotiations and effective persuasion of others.

Time management for one's own work and the team's work: Ability to plan and organise time for oneself and for the teams: work time, task delegation, priorities.

Communication of very clear expectations of performance: Ability to set clear objectives for others and assessing results logically and effectively.

Regular supply to the team of feedback on its performance: Ability to communicate clear performance expectations to individuals and to the group, set common goals, share information, and provide constant feedback in meetings and/or informally.

Full use of the capacities and knowledge of the team: Ability to analyse individual potential and performance, define a participated personal development process, and conduct task assignment and work organisation according to competences and development of goals, knowledge, and management processes.

Promote mutual confidence: Ability to define clear structures of roles, responsibilities & incentives, supporting group goals and incentives, discouraging power coalitions, promoting mutual understanding of needs, potentials & expectations, and promoting shared values and goals.

Develop autonomy of a group: Ability to encourage joint decision-making, sharing information, providing encouragement, empowering/

support group thinking, and problem-solving; and to promote shared values and exercise indirect influence.

Raise awareness of collective responsibility:

Ability to express positive expectations on group ability and performance, providing feedback and positive/negative encouragement to group behaviour and performance, and encouraging expression of ideas/opinions to solve problems.

Ability to build and lead a team (leadership spirit): Ability to inspire and provide examples, promote and lead change, contribute and cooperate towards common goals, support individuals in their potential and performance, and stimulate enthusiasm.

Ability for project management: Ability for accomplishment of project objectives, including creating clear and attainable project objectives, building project requirements, and managing the triple constraint set of projects: costs, time, and scope.

Ability to create and provide Strategic/Tactical/Operational plans: Ability to create the company strategy, setting priorities, allocating human and financial resources, and defining responsibilities and instruments for evaluating results.

Management of human resources from an organizational perspective (allocation/attribution of tasks): Ability to perform recruitment, make job descriptions, conduct job evaluation/performance assessment, training, career management and motivation, and set a salary strategy.

Management of other resources (non-human): Ability to use with maximum efficiency company resources (non-human) in order to attain planned objectives.

Awareness of corporate social responsibility: Awareness of responsibility for the impact of company's activities on the environment, consumers, employees, communities, stakeholders, and all other members of the public sphere.

Knowledge of the administrative/bureaucratic process for founding a company: Knowl-

edge at the level of a strategic overview of common questions faced when founding a company: what for, for whom, with what funding, with whom, where, and for what price.

Knowledge of the legal requirements for business: Knowledge at a basic level of the laws and regulations regarding employees, social insurance, company processes and goods, import, export, taxes, environmental issues, international affairs etc.

Knowledge of the most important legal forms of business ownership: Knowledge of the advantages, disadvantages, operational impacts and accounting issues in order to choose the best suiting legal form for a business situation.

Process analysis and change management: Ability to understand work methods and how they change, and how this change can be actively managed and facilitated.

Knowledge of general business conditions and functions: Knowledge of concepts such as business cycle, market organisation, use of money resources, and role and functions of government in business.

Knowledge of what to think about when deciding whether to found a business or not: Ability to set strategic goals, a planning phase, a formation phase, an implementation phase, and the knowledge of the motivation for starting up a business, of what the advantages of self-employment are and of what individual requirements should be met.

Knowledge of foreign trade and international trade relations: Knowledge at a basic level of the regulations in the European Union and bilateral regulations with other countries; and knowledge about strengths, weaknesses, opportunities, and threats in other regions of the world.

Distinguish the financial issues between different company sectors (manufacturing/services): Knowledge about (and having the ability to understand) the legal, managerial, and financial differences between manufacturing and

services companies, and being able to implement the best options for one's enterprise.

Management of the different performance functions within an enterprise: Ability to manage and conceptualize Research & Development, Procurement, Production, Sales, Financing and Investments, and General Management, as well of other functions.

Understanding of different forms of financing (self-financing, external financing): Knowledge about the different forms of financing and the different implications for companies (e.g. costs, accountability, leasing, business angels, venture capital, etc.).

Basic sales-planning skills: Ability to layout out a sales plan, including market forecasting, product lifecycle management, sales strategies definition, etc.

Knowledge of accountancy and taxes: Knowledge of general concepts, including accountancy rules, taxes to be paid or collected (e.g. VAT), etc.

Ability to plan and control: direct costs, overhead costs, cost prices, gross and net sales price, and earnings/profits: Ability to use financial instruments to enable cost control and profit management.

CONCLUSION AND FUTURE WORK

Through a systematic process of research, it was possible to identify a diversified set of competences that SME managers must develop to tackle today's business challenges. These came from a varied set of sources, which in turn developed their content using diverse methods, and such a global perspective was not available before. The framework presented here highlights four fundamental areas of competences: personal; technical non-financial; business & financial; and leadership. Subsequent work will consist in conducting a survey to collect the opinion of SME managers on the relative importance they attribute to each

of these competences, and whether they personally feel they need training on any of them, so that educational agents may start formatting their training supply to meet the more pressing needs of both current managers or of people that intend to become managers.

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ENDNOTES

- ¹ Meaning “Large Dictionary of the Portuguese Language.”
- ² Meaning “Dictionary of the Contemporary Portuguese Language.”