

PRACTICAL SOLUTIONS TO SUPPORT GROWTH AND SUSTAINABILITY OF SERBIAN SMEs

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Enterprises are at the heart of the strategy launched by the European Council in 2000. They stated that the objective of becoming the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth whilst creating more employment will ultimately depend on the success of enterprises, especially Small-Medium Enterprises (SMEs). This still holds true today and is of particular relevance to the acceding and candidate countries within the Central Balkan region, especially in today's harsh and competitive economic climate. This paper explores how three internationally tried and tested IT based services can provide accessible and low-cost tools supporting growth, competitiveness and sustainability of enterprises within the emerging economies of the Central Balkans. These are Business Basics and Best-Practice Methodologies training delivered via e-learning technologies, Sustainable Business Process (BPM) tools and Data Hosting Services. This paper focuses on the significant benefits that these tools, training methods and services bring to SMEs, enabling greater efficiency and cost-savings, and crucially, how to implement them as rapidly as possible to meet an urgent need.

Keywords: competencies, e-learning, BPM, data-centres, competitiveness

INTRODUCTION

Over the last ten years, many excellent academic papers, government and industry white papers and EU reports have been written about the importance of supporting enterprises, especially SMEs, in order to create sustainable economic growth and more employment. Many of these papers address the need for governments and their associated agencies to provide a solid framework to support the development of SMEs. A policy framework has been in place in Serbia for some time, and the most recent publication of it is the Strategy for Development of Competitive and Innovative Small and Medium-sized Enterprises 2008-2013, which was written by the Ministry of Economy and Regional Development (MoERD) and published in 2009. The strategy sets out a number of objectives to address this need.

This paper does not purport to be an academic paper. Its intended purpose is to supplement the excellent framework set out by showing how IT based services and best practice methodologies can provide practical solutions to some of the objectives

of the Strategy. The lead author of this paper draws on many years of hands-on experience creating and running a number of successful small and medium-size enterprises in a variety of industry sectors in the UK, Europe, the Middle East and India. He therefore has a practical view of how three key IT based services and best practices could quickly provide both the existing SME community, and potential entrepreneurs from the student population, with vital tools and competencies to build and manage sustainable and successful businesses for the lowest possible cost and in the shortest possible time.

BACKGROUND TO SMEs IN SERBIA

Although large enterprises are important to the Serbian economy, SMEs are the real giants, and it is clear that the Serbian administration has made substantial efforts over the years to encourage entrepreneurship and to support SMEs so that they can grow and thus create employment.

The 2009 EU SBA fact sheet reports that Serbian SMEs represent 99.4% of all registered businesses,

57.3% of employment, and 51.5% of value added (Table 1).

Table 1: SMEs in Serbia – Basic Figures

	Enterprises			Employment			Value added		
	Serbia		EU-27	Serbia		EU-27	Serbia		EU-27
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	69.235	84,9%	91,8%	135.899	13,9%	29,7%	2	11,4%	21,0%
Small	9.421	11,6%	6,9%	184.747	18,9%	20,7%	3	18,9%	18,9%
Medium-sized	2.350	2,9%	1,1%	240.413	24,5%	17,0%	3	21,1%	18,0%
SMEs	81.006	99,4%	99,8%	561.059	57,3%	67,4%	7	51,5%	57,9%
Large	523	0,6%	0,2%	418.794	42,7%	32,6%	7	48,5%	42,1%
Total	81.529	100,0%	100,0%	979.853	100,0%	100,0%	14	100,0%	100,0%

Data refer to the non-financial business economy (NACE C-I, K) and represent estimates for 2008.

Source: Eurostat, elaborated by EIM for EU27 figures; Institute of Economic Sciences, Serbia for country figures.

EUROPEAN CHARTER AND SME POLICY INDEX FRAMEWORK

The MoERD strategy, while not directly based on the European Charter for Small Enterprises and associated policy framework, takes into consideration the Small Business Act (SBA) and its related policy index. In June 2009, the OECD issued a report on the progress of the Charter's implementation in the Western Balkans in the form of the SME policy index, which is an analytical tool that uses collaborative benchmarking to measure progress in the ten dimensions of the charter listed in table 2 below. These provide a useful framework for the purposes of this paper and also relates back to the six pillars of the Serbian MoERD Strategy.

The indicators are structured around five levels of policy reform, with level 1 the weakest and level 5

the strongest. The policy development path for each indicator is typically structured as follows:

- Level 1:** There is no law or institution in place to cover the area concerned;
- Level 2:** There is a draft law or institution, and there are some signs of government activity to address the area concerned;
- Level 3:** A solid legal and/or institutional framework is in place for this specific policy area;
- Level 4:** Level 3 + some concrete indications of effective policy implementation of the law or institution;
- Level 5:** Level 3 + some significant record of concrete and effective policy implementation of the law or institution. This level comes closest to good practices identified as a result of the EU Charter process and the OECD Bologna Process.

Table 2: OECD SME Policy Index Scores for Serbia per SBA Charter Dimension 2009

Policy Dimensions/Level	0	1	2	3	4	5
1. Education and training for entrepreneurship						
2. Cheaper and faster start-up						
3. Better legislation and regulation						
4. Availability of skills						
5. Improving on-line access						
6. Getting more out of the single market						
7b. Access to finance						
8. Strengthening the technological capacity of SMEs						
9. Successful e-business models & top class business support						
10. Develop stronger and more effective representation for SMEs						
N.B The results in dimensions 1 & 4 are not comparable to 2007 results					2007	2009

Table 2 above shows that Serbia has made good progress in implementing the policy with significantly increased scores across many of the 10 dimensions. Each of these is a major undertaking and fully implementing them and extending the full range of benefits to the SME community is at best a medium to long-term exercise, particularly regarding education and training, skills availability and technological capacity.

In these highly competitive and challenging economic times, many small and medium size Serbian enterprises are struggling to survive, and there are many would-be entrepreneurs in state universities and vocational schools who lack the basic financial awareness, competencies and basic business skills to successfully start a business and put in place the strategy, IT infrastructure and business processes so vital for sustainable growth. Despite the progress made, relevant and practical help for the SME businessman is still too far away. There are practical solutions that can be

implemented immediately to fill these gaps, and these are described below and are referenced to dimensions 1, 4 and 8 of the OECD policy index.

Policy Dimensions 1 & 4 – Education, Training and skills for Entrepreneurship

Signatories to The European Charter For Small Enterprises Europe are committed to the following principles of education and training; Nurturing entrepreneurial spirit and new skills, teaching general business knowledge at all school levels, including specific business related modules in secondary and higher education, encouraging and promoting young peoples' entrepreneurial endeavors and developing training schemes for managers in small enterprises. An analysis of Serbian education statistics confirms the MoERD view that there is not yet enough specific business related training, particularly in the State universities which accounted for 80% of university students in 2009. (Table 3).

Table 3: Analysis of Business Related Studies in Serbian Universities & Vocational Schools - 2009

Institution Type	No of Institutions	No of Faculties	¹ Business Related Faculties	% of Faculties	Students/ Institution Type	% of Total Student Population	Business Related Students	Business Students as % Institution's Students
State Universities	6	80	5	6%	148,181	63%	19,971	13%
Private Universities	13	45	19	42%	38,927	17%	18,891	49%
State Vocational Schools	46	46	9	20%	41,876	18%	15,570	37%
Private Vocational Schools	16	16	8	50%	5,046	2%	3,013	60%
Grand Total	81	187	41	22%	234,030	100%	57,445	25%
1 Business related students include those that are on economics, organisational science, business administration and all other management and finance related courses								
The raw data for this table was extracted from the Statistical Yearbook of Serbia 2010 and imported into a dbase, coded and analysed for the purposes of this report								

The Serbian state education system is excellent and provides first class economics, organisational science, business and business management courses. However, in common with most other European universities, these only provide some business related knowledge to a small percentage of total students. Developing a new full time course for all students is likely to be a long and drawn out process that may still only provide specific entrepreneurial knowledge to a small percentage of total students.

Both the MoERD strategy and the EU SME policy framework states that general business knowledge needs to be taught at all school levels. Specific business modules need to be an essential part of secondary and higher education. Entrepreneurial spirit and new skills must be nurtured from an early age. There is a simple, practical, tried and tested and

cost-effective solution available in the form of e-learning, which can supplement existing business-related education by delivering a generic extra-curricula course to all secondary and higher education students.

Fast Track Delivery of Entrepreneurial Education via E-learning technologies

Some definitions of e-learning such as 'computer based training' or 'distance learning' are misleading in the context of this paper. A better definition is the use of computer network technology to deliver information and instruction to individuals. E-learning allows organisations to deliver training and education via the web, and provide relevant and targeted content anytime and anywhere, offering learners a customised and interactive experience. A

number of empirical studies concerning e-learning for SMEs show the following extensive benefits:

- Flexibility – allowing the student and tutor to choose the course time and location
- Customisation – content can be adapted to suit groups' differing needs
- No time limit – each student can learn at his own pace
- Training material distribution – additional written materials are easily added
- Evaluation – real time progress evaluation and personalised tutor support
- Cost – no cost for transportation, meals, lodging, time away from work or additional tutors

Leading e-learning providers have developed hosted platforms with the capacity to deliver high quality content to many thousands of students concurrently. Their sophisticated Learning Management Systems (LMS) are easily integrated with any existing University SCORM based platforms. Because they have been developed over time they can be offered at a very low cost. The business model for this service is high volume, low cost, and with a large enough volume commitment, these training courses can be offered for a very low unit cost per student without the need for any capital outlay. There are a plethora of excellent e-learning courses available, but there are two initial course types most relevant to meeting the immediate needs of the entrepreneurial educational policy dimensions stated above. These are business basics and financial awareness courses for non-financial managers and the best practice PRINCE2 project management methodology.

Business Basics and Financial Awareness Courses

The Business Basics courses are relevant to all students as well as key non-financial employees in SMEs and covers key concepts of business basics. The training is aligned to business objectives and focuses on helping non-financial students, employees and managers understand the financial implications of their business decisions and actions on the organisations they work for. The courses do not focus on providing accountancy training. They give a foundation in business and finance and provide the basic skills and knowledge of the dynamics of a business that entrepreneurs will need to develop their ideas into sustainable concepts. These extra-curricular courses are already being used to great effect by students in other European business schools and institutions and by many thousands of SMEs, large enterprises and other organisations around the world.

Best Practice Training – PRINCE2 Project Management Methodology

The PRINCE2 project management methodology (as opposed to project analysis and scheduling tools) applies to the vast majority of business situations, and as such its importance cannot be over emphasised. Anyone who is involved in delivering a product or a service has either project managed, or been part of a team that manages service delivery or change. Project management skills are relevant to any future or present employee, and as around 60% of the student population will work with SMEs, the vast majority of students would benefit from learning at least the basic methodology, principles and language of effective project management, in the form of the PRINCE2 foundation course. PRINCE2 is one of the leading internationally recognised best practice methodologies. It is a structured project management method developed by the UK Office of Government Commerce (OGC) over many years. The training focuses on the methodology of project management rather than project scheduling, delivery and analysis tools. Its popularity is largely due to the fact that it is truly generic: it can be applied to any project regardless of scale, type, organisation or culture. It is available in two forms; the foundation course, which provides the basic knowledge and terminology of project management, and the higher level practitioner course, which gives the full range of skills required to successfully manage large projects. As with the Financial Awareness courses, PRINCE2 courses can be delivered in a hosted e-learning environment, allowing students and users to learn in an enjoyable and inspired way in as little as 10 to 20 hours. Both courses are excellent due to their high quality, ease of use and low delivery cost and they provide the student with an internationally recognised certification. Many European businesses now insist that their employees and sub contractors are PRINCE2 qualified.

These two courses, delivered in volume from a solid e-learning platform can provide a fast and low-cost solution to assist in meeting the requirements of dimension 1 and 4 of the policy framework.

Policy Dimension 8 – Strengthening the technological capacity of SMEs

The majority of business start-ups that fail do so within their first year, and depending on their sector, between 45% and 62% will fail within their first four years. A major contribution to this is a lack of stable IT platforms and sustainable business processes,

both of which are essential to SMEs from day one to support their start-up and expansion. Often these vital foundations are the last thing to be considered, either because of high set-up costs coupled with a limited cashflow or in the rush to take the companies products or services to market as quickly as possible. To improve survival rates and support SME growth, practical help can be provided in the form of provision of specialist data centres offering a subsidised managed service to SMEs and the creation of a bureau service to deliver business process management (BPM) tools and consultancy adapted to meet the needs of SMEs, particularly High Growth SMEs (HGSMEs).

SME Data Centres

In today's technology driven world, SMEs depend on stable IT platforms, this is especially true of HGSMEs or those with 10 or more employees. A modern business cannot function without IT, but crucially, this does not mean simply laptops and desktop computers but the network critical physical infrastructure (NCPI), which comprises of power, cooling, racks, security, fire protection, cabling, management and services. If any one of these elements fails (and they often do) the whole business is under threat, and yet it is often the last thing to be considered during the start-up or even the early expansion phases of a business.

A stable IT platform comprises of four basic elements; the Network Critical Physical Infrastructure (NCPI), Information Technology (IT), processes and people with the right level of skill and training to support the operation of these systems. Unfortunately, putting this vital infrastructure in place is usually cost prohibitive during the start-up and expansion phases as there are so many demands being made on very limited cashflow and working capital. The practical solution is not for SMEs to invest in more IT equipment that will require processes and skilled people to maintain, but rather to create specialist managed service data centres designed specifically for SMEs, where the full infrastructure described above is available on demand and at an affordable price. The pricing models for these data centres should reflect the extreme demands on cashflow and working capital for start-up and expanding SMEs and part of the government enterprise funding allocated to supporting SMEs should be directed towards subsidising this service.

Sustainable Business Process Management

Whatever an organisation's size, standardised processes must be at its heart if it is to prosper. They are an essential management tool to optimise efficiency, improve customer relations, lower operating costs and substantially increase working capital and cash flow – the life blood of any organisation. Despite this, standardized processes are virtually non-existent in the early phases of most SMEs lives, and they are run haphazardly, with tasks being carried out as and when they need to be completed with little regard for process. In order to create these processes, information must be collected and proactively managed, and consistent ways of working need to be defined, deployed and maintained. Finally, when these basic elements are in place then processes can be measured and improved, turning them into one of an SMEs most valuable management tools.

This is where Business Process Management (BPM) is essential. BPM is a structured method of monitoring, analysing and improving end-to-end business processes and relevant resources using current software and technology. This methodology is used to great effect by large organisations, but many SME operators are not aware of the benefits of BPM and so remain attached to older functional ways of thinking and managing, to the detriment of their long term survival. The solution is to encourage early adoption of BPM by SMEs. This can only be achieved through making them aware of its necessity and benefits, and by working closely with the best BPM solution providers, adapting their applications to focus on and meet the specific needs of SMEs from start-up to maturity. There are three steps to this end; developing a content rich short course on the principles and benefits of BPM to higher education students and SMEs, via the e-learning platform described above, developing and offering an SME version of a leading BPM application and providing an hosted managed bureau service that can offer on demand advice, consultancy and technical support.

CONCLUSION

Great progress has been made, both in the Serbian academic community and government administration, to put in place a comprehensive support framework for the development of SMEs. SMEs have the capacity to lead the way in growing the emerging Serbian economy and in the drive for market share of what is an increasingly competitive and hostile global market. As shown in section 1 of

this paper they are the real giants of the Serbian economy but it is clear that they need solid, practical support and they need it now. In this paper the authors have presented solutions for delivering quickly, efficiently and cost-effectively the competencies, skills, technologies and tools that are urgently needed by SMEs. To that end they have approached a number of leading international service providers with regard to delivering the solutions set out in this paper, and each one has responded with enthusiasm and optimism and are willing to put both funding and their substantial resources behind the project. These well established service providers will bring their knowledge and expertise to the process of developing and delivering each of the disciplines discussed in this paper namely: Ready made e-learning platforms delivering entrepreneurial and SME training courses in business basics, financial awareness and PRINCE2 project management methodology; BPM applications and software tools adapted to meet the specific needs of Serbian SMEs; The design and build of SME specific managed service data centres.

The authors, using their entrepreneurial skills and extensive SME experience, have created a Serbian

company called Inteleksija. Inteleksija is based on social enterprise principles and is partnering with these leading international service providers. It is dedicated to delivering supplementary education and training for entrepreneurship and strengthening the competencies, skills, technological capacity and competitiveness of SMEs in Serbia. There is much to be done, but the essential ingredients are already in place, and with the support of the Serbian academic community and the Serbian government this vision can quickly be brought to life.

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