

## ISSUES RELATED TO THE MANAGEMENT OF HUMAN RESOURCES IN BULGARIAN SMALL AND MEDIUM SIZE ENTERPRISES

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**Abstract:** *Small and medium size enterprises (SMEs) in Bulgaria are a serious factor in the country development. Boosting their competitiveness is extremely important in the conditions of the European market. This paper deals with some of the issues of human resources management in SMEs of the second largest region in Bulgaria and guidance for their settlement is provided.*

Small and medium size enterprises (SMEs) in Bulgaria constitute 99% of all the enterprises in the country; they grant 79% of employment, account for 75% of turnover and generate 61% of added value of the private undertakings (1). 20% of them are in the field of industry.

The study of the human resources management in the production SMEs was carried out in the South Central Planning Region (SCR), which is the second region (after the South Western Region) accounting for 24,4% of the overall number of SMEs, 23,8% of the employed and 17,2% of the turnover in 2004. This data shows that SMEs are a serious factor for the economic development of the region and studies of their alignment with the European market are necessary to brighten up the business climate. The studied SMEs are from the sectors: construction of machines and equipment, production of foods and beverages, production of plastic goods etc.

Analyzing the results from the study of SMEs in the Southern Central Region, January through March 2008, shows that serious management problems exist while considering the internal organization of production in view of the EU requirements for this field. Only 9% of the interviewed managers of SMEs cover the European requirements as to internal organization, quality management, working conditions and safety, safeguarding the environment and preserving the CE signs. Such is the result for 10% to 23% of the enterprises in the country (2). 36% are not aware of these requirements, the percentage for the country is 27%. The Managers who consider that even if they do not meet the requirements at present, they will be capable of standing the competitive pressure from the European market are 58%, 70% for the country. The main reason for their being unaware of what the requirements are is the lack of funds and of sufficient information. The studies for the country and the region differ in time. The study for the country was carried out one year in advance. Even if some of the managers cannot overcome acting under pressure from controlling authorities or clients and make initiative in searching information about the European requirements, managers are more and more critical and come to realize that serious work is ahead with regard to the introduction of European standards.

The conclusion is that SMEs are comparatively not prepared to comply with European requirements. With a view of raising the competitiveness of SMEs, it is necessary to proceed immediately with appropriate management decisions in order to align the business with EU requirements for inner organization of production, quality management, working conditions and security, safeguarding the environment etc.

Results about the technological renewal and level of investments and innovations are regrettably not better. More than 70% of the companies operate with equipment older than 5 years. Irrespective of that fact 58% of the interviewed managers estimate that they have up-to-date equipment. In their view the technological innovations would not generate competitive advantage for them – 68%. The managers seem not to grasp their responsibility and contemplate this process as external for the company. The missing market oriented thinking and managerial skills raise serious concerns for the technological renewal of the small business.

There are serious problems related to human resources management with regard to motivation of personnel, remuneration of employees and social security relationships in enterprises, training and professional development of the employed.

There is no long term company strategy or vision for the company development in 78% of the SMEs, to which the workers could be committed. Most of the employed, 78%, admit not having a motivation for staying with the company, but they are obliged for they could not easily find a new job. 69% of the companies do not have detailed description of positions, a fact pointing to the level of work force analysis. Most of the workers and employees (58% of the interviewed) hold jointly several positions without being paid appropriately. Managers admit that in most cases – 62%, they appoint family and friends they can trust even if they do not correspond to the position requirements. The lack of appropriate qualification and professional experience influences the quality of tasks performed and brings about low labor productivity and inefficiency. Eighty two percent of the surveyed companies do not grant social security for their employees complying with the norms of the country. Only a very low percentage, 1,8%, of employers have secured opportunities for personnel training during the surveyed period. In the opinion of most employers, 79%, training incurs expenses that would not lead to higher competitiveness of the company.

Based on the analysis of the results of our survey made in SMEs from the industrial sector of the South Central Region, three groups of reasons for the small volume of company investments in training were established: 81% of employers explain that the main reason is the lack of funding for training, 69% also stress on the fact that they prefer to invest in technological equipment and upgrading of their company and 42% claim that they do not have responsibility in terms of personnel training. These are the three reasons employers give for low training expenses.

These statements are related to a degree of incompetence with regard to the management of human resources Bulgarian managers express. They still do not realize the significance of all issues related to human resources training. Most of them do not view training as one of the best investments with great return for the company. With the new information and communication technologies and the need for the economy to align with European requirements it is more important than ever that conditions for the training of personnel are gathered.

What is the European experience in this field?

The analysis of European experience in this field and the spreading of successful approaches and methods used in the developed market economies are very useful for us. Using them appropriately may raise training efficiency, may incite the progress of the personnel in Bulgarian companies and may facilitate integration with EU countries in terms of employment.

Over the last fifteen years there is a stable trend in Europe of raising personnel training activities at all levels (3). Training is not an expense any more but an investment. Much attention is paid in this respect to devising strategies and policies in the field of training, as well as to developing and applying the system approach in implementing these activities. Possibilities for boosting the efficiency of personnel qualification and re-qualification are being actively sought. Western European practice shows that big investments in human resources have huge return for companies. The Irish experience in absorbing funding from EU Structural Funds is a confirmation of this statement. The so called "Irish economic miracle" refers to the transformation of the country into the second richest country in the EU within fifteen years. One of the main reasons for this development was the preparation of large scale training programmes for personnel, and mainly for the age group 25-64. The analysis of the survey shows that in most western European countries at least every second organization has a strategy devised and policy for training and personnel development (81% of undertakings in the UK, 78% in Holland)(3). These strategies and policies are very popular as compared to the other areas of human resources management (selection and recruitment, compensations, communications). Even companies without corporate strategies have their policies for training and personnel development. This is an interesting fact reflecting the great importance attached to these activities and the ambition on the part of the managers to run these activities within the changing economic environment. We could summarize that these are weaknesses of company management in Bulgaria in general, most substantially related to the small and medium business. These weaknesses are due to deficient managerial training and business culture of company managers, with impact on work efficiency.

We have pointed in this paper some of the main problems that SMEs encounter in one of the planning regions of the country. They are serious but they could be solved in the existing challenging environment. Managerial capacity in the field of strategic management, greater flexibility and timely information are necessary for problem settlement. The competitiveness of Bulgarian SMEs will thus grow and this is an assessment of their potential to achieve high productivity through innovative approach to human resources, capital and physical assets. As far as competitiveness is a complex economic category determined by many factors, (economic growth, macroeconomic stability, open character of economy, efficient management, good legal frame, solid institutions etc), it bears their impact. Greater competitiveness means higher economic growth and possibility to surpass competitive pressure

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