

CHALLENGES FACED BY THE MANAGEMENT OF BULGARIAN SMALL AND MEDIUM SIZE ENTERPRISES IN THE CONDITIONS OF THE EUROPEAN MARKET

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Abstract: *Bulgaria has adhered to the principles of the European Charter of small and medium enterprises (SMEs) but according to the EC, SME are judged as not enough developed. To analyze the problems and challenges of SMEs management is essential. This paper points to the opportunities related to the EU funds for boosting enterprise competitiveness. Knowledge and planning preparedness of SME in the South Central Region of Bulgaria for efficient recourse to the European funds are studied. The reasons for the not too satisfying results are examined and recommendations for the growth of competitiveness of SME are given.*

Bulgarian enterprises, especially the small and medium ones have continuously grown over the last years in terms of turnover, added value, jobs and export. They constitute 99% of all the enterprises in the country, cover 73% of turnover and generate 59% of the added value of private undertakings. About 60% of the lasting assets of these undertakings are with SMEs. The employment rate for SMEs has grown at a greater pace as compared to general employment growth of economy and as compared to employment in the big cities. (1)

The accession of Bulgaria to the EU at the beginning of 2007 will grant SMEs new opportunities and new challenges to entrepreneurs. One of them is the efficient absorption of EU funds which will raise the competitiveness of Bulgarian enterprises. In this connection a study was carried out to assess the knowledge and planning preparedness of the enterprises in the second most developed economic region in Bulgaria, the South Central Region.

The Operational Programme “Development of competitiveness of Bulgarian economy 2007-2013” is of key importance for the efficient and appropriate participation of SMEs in the absorption of EU Structural Funds. The programme contains the basic parameters of the European Fund for regional development in the field of innovation and competitiveness in Bulgaria. Knowing the opportunities and challenges that SMEs in Bulgaria face, including work with EU Funds is a necessary prerequisite for optimal planning and efficient impact of structural funds in the country.

The overall amount of public funds for the programme is about 1.1 billion euro.

The analysis of survey results shows that SMEs are not well aware of possibilities related to the Structural Funds. 59,8% of them have little information, 45% - for the whole country (2). 31,6% have not information at all, 40, 9% - for the country; 8,6% know to a great extent the mechanism of money absorption. The number of undertakings with no information at all has plummeted in result of information campaigns, media and the press. With the commencement of the first schemes, the number of enterprises with little information grows.

Many unclear issues still remain for which information is lacking, the interviewed say. The main difficulties the potential beneficiaries identify are linked to co-funding of projects – 36,8%, insufficient capacity to participate – 22,6% and lack of specific information and complicated procedures for application – 21,2%.

67% of interviewed managers declare that the most clear opportunities fall with the following priorities and measures:

- support for the creation and marketing of innovations in enterprises and protection of industrial ownership;
- upgrading pro-innovative infrastructure and
- enhancing technologies and management in enterprises.

For these priorities the preparedness for submitting projects is the highest, the key issue being the access to funds. Supportive of this conclusion is the fact that more than 70% of SMEs in 2005-2007 have financed their investments with own funds. Most of the interviewed managers (52%) claim that they will have recourse primarily to bank loans in the future.

We can draw the following conclusions from the studied preparedness for absorption of EU funds in 2006:

- stakeholders are informed to a certain degree regarding the Operational Programme “Development of competitiveness of Bulgarian economy 2007-2013”, but more specific and clear information about the mechanisms and application procedures is needed.
- There is better capacity for participation in the process of money absorption;
- investments will be made with counting more on financial intermediation sector.

What is the actual state of the Operational Programme “Development of competitiveness of Bulgarian economy 2007-2013” at present?

The European Commission has officially approved the Operational Programme “Development of competitiveness of Bulgarian economy 2007-2013” on 27 September 2007 (3). Its overall budget for the whole seven year term is 1 162 billion euro, 988 millions of which are funds from the European Regional Development Fund, while the remaining 175 million are from the national budget. This is the first officially approved programme by the European Commission, of great importance for the next seven year period for it practically delineates the new economic policy of Bulgaria as a member State of the EU. The programme is implemented with the purposeful financial support for the Bulgarian business with a view of outreaching the competitive pressure of the common market.

The first grant schemes under the Operational Programme “Development of competitiveness of Bulgarian economy 2007-2013” were started and they provide opportunities for support and creation of innovative start-ups for meeting internationally recognized standards and for technological upgrading of enterprises (4).

The objectives of the unrecoverable financial assistance are:

- Raising the number of successful start-ups by giving aid in the riskiest phase of their development, namely at the stage of devising the basic innovative product or process of the enterprise, until the production of a test sample;
- Upgrading of technological equipment, linked to expanding the activity of enterprises and boosting their competitiveness, including support for product and process innovation;
- Enticing the introduction of quality management systems and internationally acknowledged standards in Bulgarian enterprises as a major factor for their competitive development.

More than 120 projects were submitted by enterprises from the South Central Planning Region, a result which is extremely unsatisfactory, according to experts. Therefore at present, in the conditions of the dynamic inner and outer enterprise environment, managers need to have initiative, information and entrepreneurial spirit in order to raise the competitiveness of their managed companies.

The analysis of the survey results show that one of the main reasons employers put forward is related to the financial resources of the company. And logically, the conclusion is that alternative funding sources should be sought. One possibility is related to the EU Structural funds and more specifically the Operational Programme "Development of Human Resources", whose official start was on 20 July 2007.

The main goal of the Operational Programme "Development of Human Resources" is to "improve the quality of life through employment promotion, access to high quality education and lifelong learning and social inclusion". Priority 2 of the Operational Programme – "Raising of adaptability and competitiveness of the employed persons" is oriented to better adaptability and mobility of the work force and to better flexibility of labor market. The stress is laid on activities fostering investment in human capital on the part of employers and on the part of workers and employees. The measures taken are focused on life long learning and improvement of skills of unqualified and aged workers, with a view to prolong their working career and to adapt them to the knowledge economy. On-the-job" training and integrated training within the scope of the Operational Programme is directly linked to Priority 4 of the National Strategy for Lifelong Professional Training 2005-2010 "Delivery of on-the-job training and integrated training"(3).

The programme has launched six procedures for granting irretrievable financial aid amounting to 87 718 976 levs. One of these procedures is for qualification services and training of employed persons. The sought result of the implementation of this procedure includes training of 38 000 persons for qualification and further raising of qualification, not less than 30% of the people included in programmes for essential competence acquisition.

Over the last two years the managing authorities of the operational programmes have constantly organized different information campaigns, fora for the study of good European practice for EU funds absorption, websites with updated information, and other diverse publicity forms. These are means towards the achievement of better informed managers with the aim to efficiently use the EU funds, a crucial factor for heightening the competitiveness of Bulgarian enterprises.

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