

## **2001 Interlaken International Conference – Working Group 4**

### **Bulgarian SMEs declare to need skills development in marketing**

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FAEL Foundation was established in fulfillment of the Agreement between Republic of Bulgaria and the government of Confederation Switzerland dated 18 July 1994. It was registered in the court in the end of 1995 as a Bulgarian legal non-profit entity.

The main task of FAEL is to support the development of small and medium size enterprises (SMEs) in the region of Middle Balkan Mountains. This is a mountainous and semi-mountainous region. It is located in the center of the country and covers around 15% of its territory. Approximately 8% of the Bulgarian population inhabits the region. The region of activities of the FAEL foundation has relatively well developed economy and very good traditions in agriculture and processing industry. The first industry in Bulgaria – woolen textiles, emerged exactly here 150-180 years ago. Even today a lot of traditional crafts are alive – carpet industry, pottery, woodcarving, etc.

The Foundation aims at supporting the sustainable development trends in the region and has specialized in certain sectors of the industry. It supports mainly small and medium size enterprises dealing with processing of agriculture and forestry products. At present FAEL has signed three-year agreement for cooperation with the Swiss Agency for Development and Cooperation.

In order to precise the accents in the training and consulting activities of entrepreneurs, in the end of 2000 the foundation made an inquiry amongst 134 SMEs from the region of Middle Balkan Mountains, working mainly in the area of processing of agriculture and forestry products. The largest portion of these was in the following sectors: woodworking and manufacturing of wooden furniture; bakery and confectionery; meat processing, dairying; processing of herbs and oleaginous cultures.

The inquired entrepreneurs were asked the following question “In which of the areas specified below do you feel need of improving your qualifications?”. 10 areas were specified (see first column of the table). The inquired were also proposed to enter other areas of activities of their choice. They were moreover given the option to answer that they do not feel any need of improving their qualifications. Such answer was given by app. 20% of the entrepreneurs. The table shows the breakdown of preferences for additional qualification of the other 80%.

**Preferences for qualification for SME’s in the region of Medium Balkan Mountains (Bulgaria)**

Area of activities	Declared interest of training (%)*
Distribution of finished goods	40
Finding appropriate industrial equipment	23
Development of export skills	19
Expanding the products assortment	17
Professional training of staff	10
Quality management	10
Preparing a business plan of the company	10
Accounting	9
Measuring the company’s profitability	5
Recruitment of staff	2

\* The sum of percentages is more than 100, since the companies have pointed more than one area of activities, where they need additional qualification

The answers of inquired entrepreneurs show that more than 70% of the small and medium size enterprises declare that they need improvement of their qualification and consulting in the distribution of their finished goods, the introduction of new products on the market and performance export activities, i.e. basic skills in the area of marketing.

These answers are not surprising. With view to the commanding-administrative economy of the Bulgarian totalitarian society before 1989 most of the small and medium entrepreneurs obtained the relevant professional qualification for specific production processes. They also acquired the necessary qualification for recruitment of staff and accounting. What they miss is the skill of developing a marketing strategy and knowledge of the distribution channels especially on foreign markets.

With view to the commanding-administrative economy before 1989, the Bulgarian companies fulfilled plans given from the top and the sales of their production were

preliminary guaranteed with the plan. Therefore the marketing issues were totally neglected. The chronic shortage of consumer goods turned upside-down the ideas about the market – the producers were governing there and not the consumers. In the present environment of market economy in Bulgaria the things changed entirely. The competition regulates the market. The liberalization of import made the competition more severe also on the local Bulgarian market, so the small and medium size enterprises must meet the requirements of product quality as they are on the international markets. In such an environment, it is vital for them to establish and implement a successful marketing strategy, in the relevant market niche of the small enterprise.

Based on the results of the inquiry, FAEL Foundation started outlining its qualification activities. Different events were dedicated to this subject, including a meeting with our Swiss expert Mr. Joseph Guntern from CreaConsult GmbH. One of the subjects of the meeting was the discussion of the matrix of most often problems in the management and marketing of small and medium size enterprises.

The matrix is built by specifying on the horizontal axis the branches included in the mentioned inquiry and on the vertical axis – the problems that the companies meet in their operations, graded with a mark from 1 to 3. The overall assessment made with the matrix determines on one hand the number of companies that need management consulting for the relevant business for all branches and on the other hand – the type of events to be fulfilled in order to eliminate the management problems of the companies. The result of the assessment by number of companies that need management consulting for the relevant businesses is as follows:

Distribution of finished goods	52 points
Finding appropriate production equipment	30 points
Development of export skills	25 points
Expanding the production assortment	23 points
Professional training of staff	16 points
Quality management	14 points
Preparing a business plan of the company	13 points
Accounting	10 points
Measuring the company's profitability	6 points
Recruitment of staff	5 points

Based on this assessment and considering the resources of the foundation and the advices of our Swiss expert, it was planned to develop in 2001 three consecutive modules for training of small and medium size enterprises in the region:

- First module – **“Basic management skills”**
- Second module – **“Marketing strategy and marketing activities of SME”**
- Third module – **“Export management of a small enterprise”**