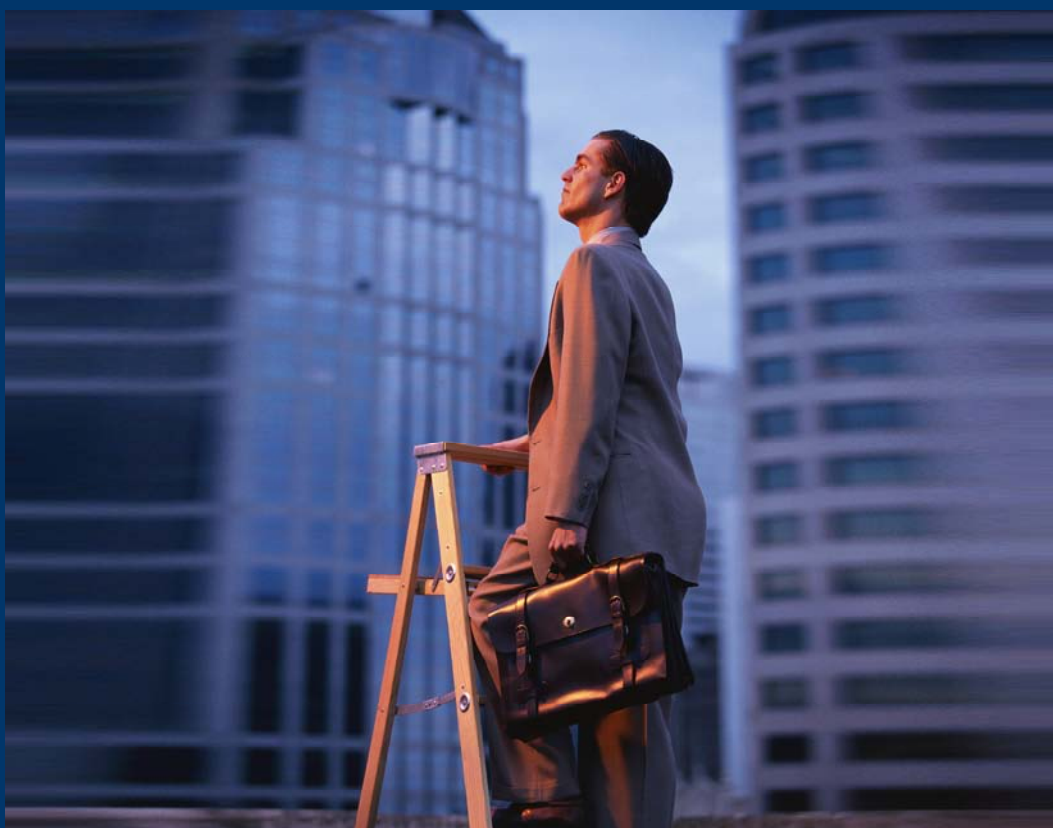


Management Capacity Building

Final Report of the Expert Group





EUROPEAN COMMISSION
ENTERPRISE AND INDUSTRY DIRECTORATE-GENERAL

Promotion of SMEs competitiveness
Entrepreneurship

Final Report of the Expert Group on Management Capacity Building

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The expert group met four times between 2002 and 2004 under the chairmanship of the Commission. The report is based on the contributions of the experts and has been compiled by the Commission.

EXECUTIVE SUMMARY

To support the creation and growth of small and medium-sized enterprises (SMEs), management capacity building is a key aspect. Indeed, without the necessary management skills, many viable companies with good product offers never reach their potential or might even risk being led out of business, by competition or by lack of treasury for example.

For the purpose of this report, **management capacity building has been understood broadly** as encompassing all the means through which a start-up enterprise or an existing SME gathers and strengthens its knowledge and competencies **in four main areas having an impact on a firm's profitability**: (1) Strategic and management knowledge aspects (including human resource management, accounting, financing, marketing, strategy and organisational issues, such as production and information and technology aspects); (2) Understanding the running of the business and of the potential opportunities or threats (including visions for further development of activities, current and prospective marketing aspects); (3) Willingness to question and maybe review the established patterns (innovation, organisational aspects); and (4) Attitudes towards investing time in management development or other needed competencies.

In the course of the discussions, the **means to acquire those needed skills** have been identified as falling into three main categories: (1) the use of training, (2) acquiring professional advice or using consultants and (3) “knowledge sharing”, i.e. activities aimed at finding out applicable information, for example through networking or research on the internet.

This project has made use of **existing information**, meaning that no new survey has been launched. For this purpose, a **group of experts** was established, which met for the first time in October 2002. Its members were appointed by the national governments and the Commission took a coordinating role. In the process of information gathering, the experts have drawn from their personal knowledge and expertise, and from various sources available at the national level.

The following **key aspects** have been addressed:

- Identification of training or consulting schemes available to heads of SMEs;
- Preferred sources of training;
- Whether offers in management development and needs of SMEs are adequately matched; and
- The national framework, including legal requirements and incentives.

As part of this project, the national experts have selected **15 examples of “good practice” cases**, in the areas of institutional models and networking initiatives, national and regional programmes and e-learning. These examples illustrate different successful ways of supporting management capacity building in SMEs. Having been particularly beneficial in a national context, these measures could also be of interest and provide inspiration to other countries.

The experts proposed a number of **recommendations** – addressing all the actors concerned – on how to strengthen management capacity building:

Business support service providers are invited to consider the following recommendations:

- (1) Favour courses and programmes helping to assess the firm's competitive position and directly impacting the firm's profitability.
- (2) Make sure that all phases of the firm's life cycle are covered.
- (3) Promote alliances with bigger firms.
- (4) Facilitate the creation and promote the use of networks.
- (5) Schedule training so that small business managers actually can attend.
- (6) Make good use of the possibilities offered by e-learning.
- (7) Business support service providers would need to better market their own services.

The **business world** – business associations as well as individual entrepreneurs and owner/managers of SMEs – are invited to consider the following recommendations:

- (8) Identify and acquire the information or knowledge that matches the specific needs of the business.
- (9) Identify useful courses and attend some (no excuses), business associations contributing to assess the quality and relevance of training offers.
- (10) The business world needs to be aware that firms may gain additional knowledge through other means than courses and consultants – with a bonus: it can be cheaper!

Public authorities at national and regional level are invited to consider the following recommendations:

- (11) Stimulate and increase the interest in management skills and knowledge of heads of SME.
- (12) Provide incentives to the use of existing support programmes in the region or the country.
- (13) Condition access to start-up funding and/or business support services.
- (14) Ensure that managerial subjects are available as an option in technical education paths at all levels.

The **European Commission** is invited to consider the following recommendations:

- (15) Promote the exchange of knowledge and good practice in the area of management skills between different countries and between the actors involved, including business associations.
- (16) Intensify the efforts in order to improve synergies between different European instruments and programmes, including the use of EU funds and grants, and also between different services as regards the promotion of management capacity building.

1. INTRODUCTION

1.1. Background

Small and medium-sized enterprises (SMEs) are the backbone of the European economy. However, the EU is currently not fully exploiting its entrepreneurial potential¹. The renewed Lisbon Partnership for Growth and Jobs stresses the importance of policies promoting knowledge, education and skills². In fact, European SMEs see the lack of skills as a major obstacle for their growth³. To be successful in the implementation of the Lisbon Growth and Jobs strategy, Europe needs to foster entrepreneurial drive more effectively. The creation and development of SMEs are fundamental to create employment and to further economic growth. This means ensuring the competitiveness and growth possibilities of already existing enterprises as well as supporting the creation of new ventures.

Previous work notably in the area of business support services, conducted by the Commission together with the Member States⁴, has highlighted the need to ensure the transfer of management skills to SMEs to improve the competitiveness of existing SMEs, thus allowing them to prosper, and to ensure that new enterprises are likely to develop and grow.

The European Charter for Small Enterprises⁵ defined ten lines for action to which the Member States and the Commission committed themselves in 2000. Action line number 1 is “Education and training for entrepreneurship”. Under this heading, the Charter states that: “We will [...] develop appropriate training schemes for managers in small enterprises”.

The 2002 Observatory of European SMEs⁶ suggested that the dynamic market conditions and the risk involved in high-tech business expect a great deal from managerial skills in high-tech SMEs. Excellent management skills are of highest importance in order to lead an innovative firm to success. However, while many high-tech entrepreneurs have an excellent education and experience in their specific scientific area, they often lack business management capabilities. This constitutes a threat to their survival and is a major constraint and obstacle to their growth and development, which often prevents them from transforming the excellent scientific and technological competencies into the real economy.

¹ See “Action Plan: The European agenda for Entrepreneurship”, Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions, COM(2004) 70 final, 11.2.2004.

² “Working together for growth and jobs – A new start for the Lisbon strategy”, Communication from the Commission to the Spring European Council, COM(2005) 24, 2.2.2005.

³ In a Eurobarometer survey, 16% of the SME managers cited “better qualified people available on the market” as the factor which would best assure the development of their company, ranking this issue as the second most important factor after “social and fiscal regulations more suited to their sector of activity”. Flash Eurobarometer, “SME Access to Finance”, October 2005.

⁴ <http://europa.eu.int/comm/enterprise/entrepreneurship/craft/craft-studies/craft-supportserv.htm>.

⁵ The “European Charter for Small Enterprises” was adopted on 13 June 2000 by the General Affairs Council and endorsed by the Feira European Council on 19-20 June 2000; see http://ec.europa.eu/enterprise/enterprise_policy/charter/index_en.htm.

⁶ “High-tech SMEs in Europe”, Observatory of European SMEs, 2002/6, http://ec.europa.eu/enterprise/enterprise_policy/analysis/observatory_en.htm.

To support the creation and growth of SMEs, management capacity building is a key aspect. Indeed, without the necessary management skills, many viable companies with good product offers never reach their potential or might even risk being led out of business, by competition or by lack of treasury for example.

This report looks at ways by which management capacity is currently developed in European SMEs, allowing them to grow and prosper, and attempts to identify possible policy or concrete actions building on existing experiences.

1.2. Objectives and methodology

This report complements previous work in the field of entrepreneurship, notably the work on creating top class business support services and on education and training for entrepreneurship.

The report aims to identify initiatives from across Europe that may be viewed as noteworthy in the field of management capacity building. The overall goal is to provide a picture of the current situation in Europe and to be the basis for future policy development, whether at local, national or European level. Hence, the work is a possible reference for business support and development organisations.

To carry out the project, a **working group** was set up, composed of national experts in the field. The experts were officially designated by the governments of the participating countries (19 EU Members States⁷ and Norway). The group was to provide the necessary expertise as well as information and data on the national situations, and also to relay findings and recommendations to their national stakeholders.

Although all experts were appointed by their governments, they did not necessarily belong to the national administrations. In fact, only three out of the 20 experts came from Ministries. The others were working in universities or university-research centres, development agencies, business support organisations or private ventures. This proved a valuable advantage in terms of breadth of expertise.

The report attempts to capture in the best possible way the multi-dimensional aspects of the issue as well as the diversity of each country's main characteristics. Rather than attempting an academic approach and trying to map out the situation throughout Europe – an impossible task to tackle for such a broad subject within the context of a limited number of gatherings – the experts agreed to attempt a pragmatic approach whereby issues and challenges have been discussed and the accent has been put on identifying concrete examples on ways to tackle the issue across Europe.

Unfortunately, no data is available to indicate the percentage of SMEs starting out with solid accounting and financing expertise or with particularly strong points in other domains of management. Finding out whether or not those firms are more likely to grow and perform better than their counterparts would have been a most valuable input to the work of this group and helped identify more sharply the key success factors for management capacity building of European SMEs.

⁷ Six of the countries being candidate countries when the project started in 2002.

The information collection was organised with the support of a questionnaire drafted by the Commission and adopted by the experts, who filled it out for their respective countries.

To fill out the questionnaire, the experts needed to draw not only from their personal knowledge and expertise, but also from sources of information made available by the national administrations and/or other relevant organisations.

The experts also proposed and discussed each of the projects identified as best practice and presented in section 4 of this report.

The group met four times in Brussels, between October 2002 and April 2004. A final consultation, via e-mail, of the experts took place in summer 2006, allowing for possible updates of the information as well as final comments concerning the content of the report⁸. However, **the report mainly reflects the situation in 2002-2004.**

No external contractor has been involved in this project. All activities, including the gathering of information, have been carried out by the experts of the working group, by their contacts at national level and by the services of the Commission.

1.3. Definition of management capacity building and scope of the report

1.3.1. Definition of management capacity building

This report looks at **the means through which existing or new SMEs develop their management competencies, including accounting, financial, marketing, quality and production related as well as general administration and management skills.** To this end a broad definition of development means has been retained, thus encompassing not only management and business courses or training in all the above domains, but also the use of consultants and activities geared at gathering knowledge.

The **management capacity** in essence relates to **four main fields of expertise of the owner/manager or of the staff in charge:** (1) Strategic and management knowledge aspects (including human resource management, accounting, financing, marketing, strategy and organisational issues, such as production and information and technology aspects); (2) Understanding the running of the business and of the potential opportunities or threats (including visions for further development of activities, current and prospective marketing aspects); (3) Willingness to question and maybe review the established patterns (innovation, organisational aspects); and (4) Attitudes towards investing time in management development or other needed competencies.

Competencies in management are a **key determinant to a company's growth potential.**

The expert group thus viewed **management competencies as a mix of skills.** This includes soft type skills, which are difficult to acquire via books or through e-learning, as well as a range of more technical skills.

⁸ To the extent the experts were still available to take part.

The soft skills include “people” skills, i.e. attitudes and abilities that are character-based, such as drive and a proactive mindset. Communication skills and the ability to influence and to network are included in this category.

The technical skills include keeping proper accounting records, being able to use accounting and financial tools as well as organising skills. Those skills are particularly important.⁹

Other skills include human resources management, the ability to find information and to keep gathering knowledge, especially about market changes, and the ability to make use of the digital revolution.

In the course of the discussions, the **means to acquire those needed skills** have been identified as falling into three main categories: (1) the use of training, (2) acquiring professional advice or using consultants and (3) “knowledge sharing”, i.e. activities aimed at finding out applicable information, for example through networking or research on the internet.

1.3.2. Scope of the report

It is widely acknowledged that **lack of management skills prevent SMEs to reach their potential and to grow**. However, management capacity building is a **multidimensional issue**. Management skills are diverse (see above, section 1.3.1) and the specificity of SMEs also plays a key role. Furthermore, each business venture is also a unique timely combination of a management approach, an offer of products and/or services, channelled in one or several ways to a more or less discriminating and price sensitive client base. **Management skills are only one – but crucial – determinant of the equation leading to growth, business success or failure**, thus making the analysis somewhat elusive. Indeed, it is also worth mentioning at this stage that, to ensure growth, there must be a willingness to grow and the necessary skills and competencies (not only managerial) as well as timely opportunities in the market must be at hand.

For sole proprietor enterprises with no or very few employees, the issue is limited to management training of the head of the SME and to his or her access to professional advice, particularly in the fields of marketing, accounting and finance management.

For other SMEs, the issue is more complex. Knowledge is often built up “on the field” either by informal tutoring, by use of support systems and experts or through “learning by doing”. However, some heads of SMEs are reluctant to release some of their functions and/or do not wish their closest **co-workers to develop more management skills** as they fear that the more competent employee is likely to either find another position in a different firm or, worse, might be tempted to set up his or her own company in the same field.

Thus, management capacity building is a complex and broad issue. This report cannot attempt to capture all aspects of it in both a qualitative and quantitative way. Indeed,

⁹ Indeed, in Austria, a 2003 analysis by KSV (Kreditschutzverband) identified that the number one cause for bankruptcy was linked to internal mistakes, accounting for 37 % of the bankruptcy cases. https://www.myksv.at/ksv_edit/KSV/de/assistent/downloads/insolvenzstatistiken.html.

information on **quantitative aspects**, as for the majority of job-related training issues, **is specifically hard to gather for SMEs, due to their large number and to their diversity in size, sector and organisational mode.**

This report concentrates on trying to **identify whether the sources of management development and the demands of SMEs seem adequately matched.** It also **identifies a number of “best practice” examples** to be potentially duplicated and/or adapted to other regional or national contexts.

This report does **not concentrate on the specific arrangements for start-ups**, as the Commission has already looked at most aspects of this issue, through several projects run in cooperation with the Member States under the Multiannual programme for enterprise and entrepreneurship, and in particular for small and medium-sized enterprises (SMEs)¹⁰. Projects on creating top class business support services and on incubators as well as a benchmarking exercise on the administrative environment of business start-ups have been finalised and information on those may be downloaded from the internet¹¹.

¹⁰ Council Decision (2000/819/EC) of 20 December 2000, amended by the Decision (1776/2005/EC) of the European Parliament and of the Council of 28 September 2005 on a multiannual programme for enterprise and entrepreneurship, and in particular for small and medium-sized enterprises (SMEs) (2001-2006), see http://europa.eu.int/comm/enterprise/enterprise_policy/mult_entr_programme/programme_2001_2005.htm

¹¹ <http://europa.eu.int/comm/enterprise/entrepreneurship/index.htm>

2. THE CURRENT SITUATION

2.1. The key role of heads of SME in management capacity building

The smaller the size of the SME, the more the attitudes and managerial skills of the head of the SME are critical to ensure the success of the SME and the potential development. Heads of SMEs' outlook on training and management development have a determinant impact on the whole management capacity of the SME.

Research concerning the causes of small business failure is de facto limited. However, throughout Europe, a number of external and internal factors have been typically noted. External factors include declining markets, uncompetitive costs, and financing issues. Internal factors include management weaknesses, including weak management of liquidities and financial planning, errors in sales, marketing and sales administration as well as organisational issues and weak management of information systems and information technology.

Thus, as regards the management aspects influencing the competitiveness of each SME and its future prospects, two elements are especially relevant: The financial aspects of managing treasury and profitability on the one hand, as well as an understanding of the SME's competitive position on the market and its environment on the other hand.

Some managers are naturally adept at the needed financial skills and have a feel for the competitive aspects at all times. Others need to find out that doing the work and keeping busy is not enough and they will need to build up those skills. Training and consulting is a soft way to build up the necessary management capacity. Indeed, previous work launched by the Commission on restructuring, bankruptcy and a fresh start showed that many business failures could be avoided if problems were identified in time. It also showed that entrepreneurs having failed a first time are likely to be successful a second time if they are in a position to start a new venture.¹²

Regarding the openness of the head of SME towards challenging his/her daily routines and the established patterns of the SME, it is noteworthy to take into account that one of the main drivers for setting up one's own venture is a drive for autonomy. This drive, often correlated with a strong personality and/or power/control issues, might be counter-productive with regard to the willingness to acquire knowledge from outside sources or the ability to acknowledge in time weak points in the functioning of the business. Some control oriented entrepreneurs are reluctant to developing their business as they would need to employ more people and delegate tasks and thus lose some grip on their business. Indeed, it is estimated that only 29 % of European SMEs reckon growth as the main focus of their business policy¹³. Those traits also influence the preferred ways in which the entrepreneur is likely to acquire knowledge, i.e. through an activist hands-on problem solving approach and from trusted sources, not through being lectured in a class-room type of setting.

¹² For details see

http://ec.europa.eu/enterprise/entrepreneurship/support_measures/failure_bankruptcy/index.htm.

¹³ "Highlights from the 2001 Survey", Observatory of European SMEs, 2002/1,
http://ec.europa.eu/enterprise/enterprise_policy/analysis/observatory_en.htm.

As a general rule, when the head of SME is him-/herself dedicated to keep on learning and acquiring new perspectives, he or she is most likely to encourage employees to develop the needed administrative or managerial competencies and to be in a position to identify in time the ways to build up the most needed skills or competencies, whether through formal or informal ways of training or through the use of advice or consultancy schemes.

In general, heads of SMEs in all European countries are not very interested in general management training. They are looking for solutions to problems and thus tend to prefer consulting schemes, short sessions offering networking opportunities (for example breakfast sessions with peers on specific topics) and mentoring or sources of advice on concrete issues that they are facing (for example in the legal or fiscal area).

2.2. Matching offers in management development and needs of SMEs

Possibilities to build up management capacity are on-the-job training (more or less structured training or coaching by colleagues), training courses on a variety of subjects whether through classical class settings or through distance learning (including virtual learning environments), short two or three days seminars, access to consultancy or networking and mentoring programmes.

The training offers enable SMEs to improve the four main fields of expertise identified (see section 1.3.1). Training providers are both public and private, including the Chambers of Commerce or Crafts, professional organisations and associations, most business support service organisations as well as universities or polytechnics and a wide array of private businesses. Some new Member States show an impressive array of possibilities. Indeed, in **Estonia** for example, there is a strong competition between small training firms owned by local trainers-entrepreneurs and subsidiaries of international training firms. In Estonia alone, it is estimated that between 120 and 150 organisations offer business or management training and it is estimated that in the course of 2004-2005, an impressive 60 % of Estonian SMEs used some external course.

In some countries, SME foundations or SME associations are very active and supportive of local SMEs in their search to increase management capacity. That is the case for example in **Finland**, with an SME Foundation founded and actively supported by the Ministry of Trade and Industry, the Regional Development Fund, the Confederation of Finnish Industries and Employers, the Federation of Finnish Enterprises and the Finnish Institute of Management. Among other things, this Foundation gives free access for entrepreneurs to a database of management consultants complete with CVs and references.

Generally speaking, the offer of training and/or support schemes to build up management capacity at the start-up phase of a business is rather strong and comprehensive in all countries, with a high degree of public or para-public subsidies. In **Norway**, for example, one of the counties (More og Romsdal) has conditioned receiving the € 10 000 getting started help grant to the entrepreneur following a four-day course in entrepreneurship, featuring basic strategy, accounting principles, marketing and legislative issues.

In **Germany**, a wide debate is currently going as to whether young entrepreneurs are sufficiently competent in management skills to face the crises typically happening one

to two years after the start of a new venture. As a consequence, two trends are now pursued. One is to reinforce the initial training before starting a business and the other is to make more use of consulting activities after the creation of a new business.

Medium-sized companies tend to offer internal promotions when business calls for additional responsibilities. Sometimes, rather than stretching internal resources an external addition may bring in new perspectives, know-how and help in some needed adaptations. This option has its limits though, as the recruitment of a limited number of qualified staff does not remove the necessity to invest in building up the whole of the company's human capital.

At the start-up phase of a business, the management capacity building is generally well taken care of, both thanks to the wide array of support available and to the entrepreneurs' frame of mind, being on the look-out for ways to shape and organise the business.

Building up the management capacity at times of business turn-arounds, to accompany high growth and/or with a view to prepare for a down-turn in the markets and preventing crises, seems more problematic.

As a general rule, there is a profusion of various courses and different forms of training available, both in old and new Member States, and preferred sources of training vary from country to country. There is an ample supply of training providers and of schemes organised at national or local level to encourage the take-up of the existing opportunities. The offer is plentiful – though sometimes not customised enough to the specificities of SMEs – but the demand is not in line.

Indeed, obstacles prevent SMEs from benefiting from the opportunities at hand. In addition, SMEs are generally not so interested in training. What they are interested in is practical solutions matching the specificities of their business.

According to the Observatory of European SMEs, most SME managers face delegation- and lack-of-time problems when attending a training activity, since they cannot be away from the enterprise too long. Additionally, most SME managers are subject to the uncertainty of how business will develop and the resulting undesirability of enrolling for training months in advance. These difficulties result in an obvious demand for short and flexible courses. Training costs seem to be a less relevant barrier for management training in comparison to other issues such as location, duration or contents of the course.¹⁴

Although possible sources for learning are numerous and the length and forms are diverse, there are three main common obstacles to the commitment of SMEs to take up on the offers: (1) the recognition and identification of the problem(s), issue(s) or slight weakness(es) that might be improved via a relevant form of training; (2) the lack of ways to assess the quality and relevance of the training offers meeting the SME's specific needs; and (3) the will and ability to attend to the training, including planning and taking the necessary time off busy schedules.

¹⁴ “The European Observatory for SMEs – Sixth Report”, 2000, http://ec.europa.eu/enterprise/enterprise_policy/analysis/observatory_en.htm.

An interesting solution to the above mentioned challenge has been put into practice in **Finland** with their employment and economic development centres (T&E Centres). Those centres have been put in place by the Ministry of Trade and Industry, together with the Ministry of Agriculture and Forestry and the Ministry of Labour. There are T&E Centres in 15 Finnish cities and their services are specifically designed to support SMEs. T&E Centres also receive financial support from the European Social Fund for managerial training. The specificity of T&E Centres' offer is that, almost without exception, it connects training with consulting.

A good example of a mentoring approach, the PLATO intensive counselling programme was developed in 1987 in Kempen, **Belgium**¹⁵. PLATO is now established in several European countries¹⁶, providing SMEs with the possibility to enjoy a forum for discussions and networking as well as the possibility for an owner-manager to learn from a more experienced entrepreneur.

In **Germany**, SMEs' preferred sources of management training are first of all private organisations (62 %), then schemes offered by the Land (15 %), before offerings from the Chambers of Commerce or professional associations. Also in the **Netherlands**, the preferred source of training is private organisations.

At the other end of the spectrum, despite valuing training, in **Belgium** most heads of SMEs typically prefer consulting schemes and advices, as those are immediately available and operative.

The key is identifying the "right" course and/or form of training at the right moment for a specific situation. To this end, the most trusted sources for decision making as to whether to take up a specific course is reputation or recommendation by a trusted source. Thus, heads of SMEs belonging to an association or being active in networks are more likely to invest in the best suited form of training activity.

2.3. E-learning

Experiences regarding e-learning differ greatly from country to country. The actual take-up of this form of training is related to the country's position regarding overall use of the internet and of new information and communication techniques (ICT), as well as to the national efforts to "go digital", illustrated for example by the degree to which it is possible to interact with the national administrations in a digital mode. However, in all countries, internet has gained a prominent place as a source of information and knowledge. Thus, in a large number of Member States, including the new members, schemes or incentives are in place to foster the use of internet by SMEs, typically as a means to supporting the internationally needed development of innovative SMEs.

Since this way of gathering knowledge and learning is very recent, no statistics are available to give an overview of the phenomenon. Some rough data have been gathered by some national experts and some figures are quoted below, but they are difficult to put in perspective in comparison with overall volumes of training.

¹⁵ <http://www.plato.be/>

¹⁶ Including Belgium, Denmark, Germany, France, Ireland, the Netherlands, Slovakia, Slovenia and Sweden.

This form of training has notably been developed in **Austria** and **Finland**, countries with high general use of the internet. At the other end of the spectrum, for example in parts of **Greece** and, especially, in **Hungary**, currently characterized by many sole proprietor companies with not much invested capital, SMEs are at the moment lagging behind as regards their ICT equipment and computer-based learning has not yet taken off. This is, however, only a question of time.

Finland has a leading position in Europe as regards use of ICT and virtual learning systems are widely used at all levels. SMEs in Finland have access to a wealth of on-line information provided by public services. Virtual learning has been largely adopted by SMEs, all the more that some special programmes specifically target the needs of SMEs. The Continuing Education Center in Tampere University of Technology is one of the organisations that have invested in designing special on-line training programmes for heads of SMEs. The virtual learning environment for small business entrepreneurs, ePyt, developed by the Helsinki School of Economics Small Business Center also prepares entrepreneurs to practical work and development of their business. Furthermore, some remarkable e-learning networks have been developed specifically with a view to foster regional development and to target the competence building of SMEs. The learning Lapland network, with the University of Lapland and two polytechnics institutes of the region at its core is particularly remarkable, both in terms of its organisational model and in terms of its usability. Its project-based services attract a wide array of users, particularly SMEs.

In **Austria**, SMEs are great internet users. Although statistics are not available, it is estimated that a rather extensive use is made of the on-line packages of the federal level, Land level and of the Chambers of Commerce. Amongst others, it is possible to deal on-line with social security obligations. The Austrian administration provides an on-line help service for entrepreneurs with information on the public administration, some tips and useful links¹⁷. The Institute for Economic promotion of the Federal Chamber of Commerce offers e-learning tools on-line, notably courses towards passing the ECDL¹⁸, courses on how to run a business, specific management skills courses such as a time-management course, as well as language courses¹⁹. For the academic year 2001/2002, 1 755 people used those possibilities and participated in 257 different e-learning courses.

In **Poland**, the Polish Agency for Enterprise Development has made available two modules on-line: one dealing with financing business development and one offering guidance on starting a new business. For a period of about one year, some 10 000 visitors registered for the first module and some 7 000 for the second one.

A noteworthy initiative in the **United Kingdom** is the Learn Direct offer. Originally launched by the government to provide a learning platform for individuals, a number of the 2 000 commercially oriented physical centres delivering the training through Learn Direct have retargeted their offer to include business oriented services specifically aimed at SMEs, using self-diagnosis tests available on the net that advisors consider the best possible training packages. This very rich content of the web courses is complemented by possible coaching, networking and subject specific tutoring, making

¹⁷ <http://help.gv.at>

¹⁸ European Computer Driver Licence, a certification system for computer skills.

¹⁹ <http://www.telewifi.at>

it a comprehensive and commercially competitive source of business knowledge development in the United Kingdom. The training is eventually partly subsidised on a regional basis. The on-line contents require broadband access, perhaps limiting the possibilities for use by some SMEs.

In **Norway**, Innovation Norway (the merged organisation of, amongst others, the Norwegian Industrial and Regional Development Fund (SND) and the Norwegian Trade Council) has launched a programme called iVEL, where the main aim is to improve the innovation capability among Norwegian SMEs. The programme is both offered as an “extended version” with work-shops and advisors as well as an e-learning version via the internet.

Generally, e-learning offers a lot of development potential for SMEs, especially in the countries where this form of training has not yet really been developed, for example in **France**. Indeed, this form of training allows for avoiding some main obstacles to attending training in SMEs, notably the issue of lack of time. It also offers the possibility to receive customised service, notably thanks to punctual answers to specific issues via e-mail or forum exchanges.

However, computer based training has more impact when combined with other more traditional approaches of learning involving interactions with an expert or coach. An example of this is the EMPOWER programme, “the power to do business on-line”, run by **Irish** City or County Enterprise Boards²⁰ (support organisations geared specifically at micro-enterprises, i.e. with 10 employees or less). For this programme, the training is supported and enhanced by one-to-one consultancy and has on-line monitoring available up to two months after its completion by the head of SME or the SME manager. It is expected that in the future, such mixed forms of training involving on-line packages and personalised consulting or coaching should be more and more developed and popular. The best practice case presented by Germany falls into that category of mixed courses (see section 3.3).

Blended learning, combining on-line learning and meeting in virtual learning communities with other more traditional forms of training, is judged as the most effective way of acquiring knowledge in the field. For the “soft” types of management skills, i.e. the people or communication based skills, human interactions are deemed as critical and thus traditional learning interactions, through group work for example, remain unavoidable.

²⁰ Those Boards were established in October 1993 as companies limited by guarantee

3. THE NATIONAL FRAMEWORK: LEGAL REQUIREMENTS AND INCENTIVES

3.1. Links with business support service providers, including Chambers of Commerce and professional organisations

Liaising with professional organisations creates the opportunities for gaining management knowledge. Some organisations offer general help and advice, other local organisations are specifically designed to provide SMEs with more defined learning and/or networking opportunities, for example local organisations to support SMEs looking at export activities such as ERAI in **France** for the Rhône-Alpes area (Entreprise Rhone-Alpes International – <http://www.eraï.org/fra/index.php>).

Especially when the ways to strengthen the management capacity of a given enterprise are not defined or when the strategy used could be bettered, the fact that the manager visits a business support service organisation can lead to the idea to invest in the needed training or consulting scheme. However, no matter how the business support services are organised (one-stop shop or several agencies), the issue here is often to establish first contacts as **the large majority of SMEs do not make use of the available facilities** as they do not make the first step of voluntarily establishing contact. It is estimated, for example, that penetration rates of Business Links in the **United Kingdom** are less than 15 %.

In the vast majority of countries, there is no legal requirement for a newly created SME to join any business association. The only legal requirement is to be duly registered for identification and tax purposes²¹. Hence the large majority of SMEs in Europe do not belong to any association or professional union, thus losing one possible source to find out about management capacity development.

Noteworthy **exceptions are Germany, Spain and Austria where all enterprises are members** of the local Chambers of Commerce or professional organisations (craft companies in Germany are likely to be members of two chambers, “Handel” and “Handwerk”). Furthermore, **in Austria, the mandatory membership brings valuable benefits as all future entrepreneurs are also entitled to business and legal professional advice by the Chamber of Commerce without charge.**

The large majority of SMEs in Europe do not belong to a Chamber of Commerce or to a professional organisation and the proportion of SMEs belonging to such an organisation is largely determined by country-specific factors.

Indeed, nearly all Chambers of Commerce offer a wide range of management training courses and do not limit their activities to disseminating information and organising events. However, across countries, Chambers of Commerce have no common standards with regard to the variety and quality of the proposed training catalogues. In some countries, for example in the **United Kingdom**, their support and training offers also vary greatly from one area to another. On the other hand, in **Austria**, the network of Chambers of Commerce is well co-ordinated thanks to a Federal Chamber of Commerce, well integrated in the national economic and political framework, and the training actions are of good standards throughout the country.

²¹ Note: Some countries, such as Belgium, have already moved to the system of a unique identification number.

3.2. Legal requirements on training in SMEs

Due to a lack of statistical details on the break-down between management training and other types of training in most countries, the section below deals with the characterisation of training in general for SMEs.

According to the 2003 Observatory of European SMEs²², up to 80% of European SMEs follow formal as well as non-formal methods for improving the competence base of their in-house human resources. The most common methods include visits to expos/trade fairs, courses/seminars/conferences provided by external trainers, reading of professional literature and meetings amongst personnel for knowledge exchange. SMEs' involvement in formal/non-formal competence development methods is positively correlated with the size of enterprises. There is also a positive relationship between the skill content of the SMEs' different occupational groups and their involvement in competence development activities. Amongst the very small enterprises, these activities are particularly concentrated within the 'directors/managers' group.

According to the same source, SMEs, especially the smallest ones, suffer from a number of obstacles for engaging themselves in competence development activities. These include short-term business pressures, cost issues, the entrepreneur/management team's own negative attitude to change, the SME entrepreneurs' limited ability to diagnose effectively their own competence needs or their limited contact with relevant sources of competence. SMEs very often feel reluctant to invest in people, as they fear the possibility of skilled labour being 'poached' by competitors.

Still according to the Observatory of European SMEs, only a small proportion of European SMEs, 18%, has a written plan for developing their in-house competence base, although strong differences exist by enterprise size. Only 16% of the very small enterprises (0-9 employees) have one. This percentage increases to 35% and 47% amongst the small and medium-sized enterprises, respectively. This may not mean that plans do not exist in the owner/general manager's head. Situations vary greatly from one country to another and the general distinctions between northern and southern Europe or between "new" and "old" Member States do not necessarily apply.

A common characteristic: Throughout Europe, an overwhelming majority of SMEs do not have structured training or learning schemes.

Access to training by SME employees in Europe is not only less likely to be planned and structured, but it is also more likely to be limited in terms of the number of courses as well as the number of training days or hours.

In some countries, the legislation specifies a required amount to be spent either on training or to be given to a training fund or an employee. For example in **France**, enterprises employing more than 10 people are requested to invest in training actions, dedicating a minimum of 1.5 % of the equivalent of the sum of all salaries paid. This legal threshold is reduced to 0.25 % of the equivalent of the sum of all salaries paid for micro-enterprises. Statistics show that in France, employees working for a firm with a

²² "Competence development in SMEs", Observatory of European SMEs, 2003/1, http://ec.europa.eu/enterprise/enterprise_policy/analysis/observatory_en.htm.

staff of 500 or more, are three times more likely to benefit from training provided by their employer than their counterparts in a micro-enterprise.

In **Hungary**, the threshold of 1.5 % of the gross wage costs to be invested in the national vocational training fund also applies to all SMEs and unlike the French situation, the number of employees in small enterprises receiving training in Hungary is higher than average, thanks to the system of a national training fund to which all enterprises are required to participate.

Belgium also runs a system of training funds to give employees access to training.

No such requirement or guideline is operating in the vast majority of European countries for example in the **United Kingdom**²³, **Germany, Spain, Ireland, Finland, Latvia, or Norway**, countries where actual participation rates in training activities are not at all comparable. In **Norway**, less than 5 % of SMEs will make use of some kind of training or consultancy service during a given year. In **Ireland**, roughly 60 % of SMEs do not have a staff training budget. In **Spain**, total SME spending on training has failed to reach even 1 % of the total wage bill. On the other hand, investment in human capital seems to be an integral part of the Finnish economy. In the year 2002, heads of SMEs in **Finland** spent about 5 % of all labour costs on training, meaning an honourable average of 5.3 days of training per employee.

In **Estonia**, a majority of current managers of SMEs have already participated either in short or long term management training and in 24 % of SMEs, at least one member of the management team has a degree in business or management.

3.3. Legal requirements to ensure qualifications of potential entrepreneurs

When it comes to ensuring the qualifications of potential entrepreneurs, two schools of thoughts prevail: a free enterprise type of approach and a more regulated one, whereby a potential entrepreneur needs to justify a minimum amount of qualifications, not only on the technical aspects but also in the management field.

The free enterprise policy is embodied for example in the **United Kingdom**, whereas in **Germany** and in **Austria**, it is necessary for new entrepreneurs to provide the assurances that they are able to manage the business that they are setting up. For example in **Germany**, in the craft sector entrepreneurs need to have the master craftsman's diploma in order to set up a business. To achieve this degree, a broad training in economics is included in the curriculum. The master craftsman diploma is necessary for 41 professions of the craft sector. A similar system is in place in **Austria**.

Recently, a number of European governments have initiated active policies to favour entrepreneurship and to build management capacity and the trend is towards a loosening of the justification of the required skills to set up a business. Sometimes, concerns are expressed that this might lead to higher failure rates, since the entrepreneurs may lack the knowledge needed to manage a business.

²³ Except for the construction sector in the United Kingdom, though very small firms are likely to be exempted.

3.4. Tax incentives

On top of the existing schemes and support systems partly financing management training and SME development, in some countries training costs are deductible from the tax base or financial support is directly available to offset the costs.

In **Spain**, companies can make direct deductions for training expenses to their corporate income tax returns, up to 5 % of the total.

In **Finland**, there is financial support from the Ministry of Education for “Open University”²⁴ training. Amongst Finnish SME management, Open University courses are thus rather popular. An entrepreneur working since more than one year is also entitled to vocational training paid by the Social Insurance Institution of Finland.

²⁴ “Open University” is a British distance learning organisation available in all European countries in English language. They offer the possibility to work towards a degree, including MBAs, or to take only a limited number of courses ranging from undergraduate to post-doctorate courses, according to one’s needs and time availability. For further information, see <http://www.open.ac.uk/>.

4. GOOD PRACTICE

The following examples have been selected by the national experts and recognized by the working group as good practice cases. These examples illustrate different successful ways of supporting management capacity building in SMEs. Having been particularly beneficial in a national context, these measures could also be of interest and provide inspiration to other countries.

The examples have been grouped into the following categories:

- 1) Institutional models and networking initiatives in the field of management capacity building
- 2) Regional or national programmes in the field of management capacity building
- 3) E-learning in the field of management capacity building

All good practice examples have been selected to meet the following criteria:

- ✓ The practice should be currently on-going, whether at local, regional or national level²⁵.
- ✓ It should have clearly identifiable aims and objectives relevant to the subject.
- ✓ It should be sustainable and in place over a long term (several years).
- ✓ It should be adaptable and transferable and or provide certain features that may usefully be replicable in another part of Europe.
- ✓ Its results should be identifiable and susceptible to be evaluated.
- ✓ It should be likely to improve continuously.

Each of those examples have been discussed at an expert group meeting, with a view to first check whether the practice qualified as a good practice and then to identify what made the practice specifically successful.

4.1. Institutional models and networking initiatives

- The *WIFI Unternehmer Akademie*, **Austria**

In Austria, the *Wirtschaftsförderungsinstitute*, *WIFI* (Austrian Institute for Economic Promotion) is present in each of the nine areas (Bundesländer) and belongs fully to the Economic Chamber of the region, forming a network. With a strong market position due to the mandatory membership of all enterprises, the *WIFI* in Austria has been synonym with adult and vocational training for over 50 years. In autumn 2003, the *WIFI* launched the *Unternehmer Akademie* (the

²⁵ The practises were thus on-going at the time of the active work of the expert group during 2002-2004. In some cases, the activities might have come to an end since. An exception to this criterion has been made for Hungary due to the originality and scope of the initiative presented.

Entrepreneur's academy) and in its first year of existence the programme attracted over 17 000 participants. The target audience, all entrepreneurs or people wishing to change professions, is offered classes and seminars at times particularly suitable for otherwise active people: during evenings or during the week-ends. The range of topics covered includes management and legal issues, marketing and cost accounting, internationalisation, etc. For further information, see <http://www.wifi.au>.

- A governmental initiative to stimulate supplier relations and create a network of enterprises, **Hungary**

In 1998, the Hungarian government launched a “supplier programme”, which was run by the Local Enterprise Agencies together with a number of supporting organisations (Chambers of Commerce, educational institutions, consultants). This development project aimed at stimulating SMEs to develop and improve with a view to becoming trusted suppliers to large domestic or multinational firms. The project allowed for professional networking of participating SMEs, provided training opportunities for example in ICT training, as well as help and consulting services towards ISO qualifications, and also comprised services for finding business partners. This initiative, geared at influencing the structure of inter-enterprises economic relations and making SMEs more dynamic, proved successful thanks to the number of participating companies. More than 1 500 firms were audited in its context. Although the programme is now closed, for availability of financial resources reasons, it is still mentioned in this document as a best practice due to its original design and large scope. Furthermore, a possible re-launch the programme is being considered.

- The INCYDE Foundation, within the network of Chambers of Commerce, **Spain**

The INCYDE Foundation, within the network of Chambers of Commerce, is a main provider for management development courses in Spain. It offers courses and advice to SMEs and its take-up is high by entrepreneurs as the Foundation adapts itself to the special needs of SMEs and offers classes in the evening, outside working hours, including individual consultancy opportunities. All the traditional topics are covered (marketing, finance, taxation) but also sectoral and state of the art courses in quality, costing or logistics, merchandising and window dressing, etc. are offered. The Foundation also provides incubators for start-ups. Firms starting within one of its incubators have a survival rate of 80 % compared to a national average of 49 %. For further information, see <https://www.camaras.org/publicado/index.html>.

- FAS Company Development “Cluster” programme, **Ireland**

FAS, the Irish Training and Employment Authority, has put into place a pilot programme for the development of small firms (less than 50 employees) typically ran by owner-managers with detailed technical knowledge but who often lack broad-based management skills. Through this programme, training is provided by clustering ten companies in each region and making available to them a panel of trainers covering finance, marketing, production and quality control. The programme starts with an assessment of each firm's strengths and weaknesses and the training is delivered one-to-one on the site or, when

common training needs have been identified, through evening or weekend courses. Following the assessment, each company has at its disposal 19 days access to the panel, using one or more of the trainers. Finances has been the area mostly needed and firms have been trained to make pricing decisions based on full costs principles. The success of the programme is due to the networking opportunities, combined with dedicated one-to-one attention and a very much “hands-on” approach. Through the 11 companies participating in the pilot programme, 23 jobs were created. The pilot scheme has been extended to all the FAS regions. For further information, see http://www.fas.ie/services_to_businesses/programmes/cdcp.htm.

4.2. National or regional programmes

- The training check – Regional programme in the Walloon region, **Belgium**

In the Walloon region in Belgium, as part of the development policy, a popular programme to foster the use of training is the training check, whereby an entrepreneur may buy those checks for himself or his staff at half price, thus benefiting from significantly discounted prices. The regional authorities subsidise the difference and the entrepreneur is free to choose amongst available training providers. For further information, see <http://emploi.wallonie.be/>.

- The specialist qualification programme in management, **Finland**

The specialist qualification programme in management in Finland is noteworthy as each participant has to prove competencies through management development projects conducted in his or her own company, thus having to apply the theory and gained knowledge on the ground. This qualification programme is under supervision by a mixed Committee formed by the Ministry of Education and members from all relevant stakeholders, including entrepreneurs and SME managers as well as training organisations. This particular programme is an integral part of the Finnish vocational training system, within the qualifications programme launched in the middle of the 1990s. The content includes all relevant topics in SME management (finances, marketing skills, etc.) and this thorough training is carried through via a modular system, combining lectures, case studies, e-learning and home-studies. Conducted at regional level, the management programme has been run over the last few years with increasing levels of success. It is subsidised in most regions and constitutes a dedicated effort from the regional authorities and from the participants’ point of view, as this comprehensive training typically lasts one and a half to two years, before the participant may take all final examinations and receive the qualification. For further information, see <http://www.naytonpaikka.net/>.

- Information and training workshops specifically geared to heads of SMEs, led by entrepreneurs having successfully gone through crisis times, “*Re-cr  er*”, **France**

Unlike the Finnish example described above, the successful French “*Re-cr  er*” programme with information and training workshops specifically geared to heads of SMEs, led by entrepreneurs having successfully gone through crisis times, is not geared towards a qualification. It functions as a punctual help, providing at the same time support by peers and practical knowledge through

discussions held in small groups (8-10 persons) to entrepreneurs facing difficulties. For a mere € 50 of participation fee per session, small business owners may meet once a month, outside regular business hours, to discuss and share issues, under the leadership of an entrepreneur who has mastered a violent business down-turn. This non-traditional approach provides a safe environment and aims to deliver practical tips, targeted to the group's specific concerns. The association in charge also provides similar training programmes by entrepreneurs having actually gone through a bankruptcy procedure. For further information, see <http://www.re-creer.com>.

- The “*Profijt van Mensenkennis*” (benefit from people's competencies), run by Syntens, the **Netherlands**

Syntens, supported by the Dutch government, is a network for innovative organisations. It organises networking opportunities and offers consultancy services in marketing, human resources and financial management. Its “*Profijt van Mensenkennis*” programme aims to make the entrepreneur aware of the importance of the human factor in the running of his company. The programme is run through a combination of training on the job, specialised meetings and personal advice to the manager. The rate of satisfaction for the programme is significantly high: 76 % of entrepreneurs say they got new insights and 62 % say they learned new skills. 32 % mentioned that the employees had also learned from the programme. For further information, see <http://www.syntens.nl/Syntens>.

- The FRAM programme, **Norway**

In Norway, the FRAM programme (“Focused-Realistic-Accepted-Measurable”) is followed by hundreds of SMEs each year with concrete and measurable results: 75 % of participants improve their profitability by 5 % or more during the 15 months duration of the programme. Run by the Norwegian Industrial and Regional Development Fund / Innovation Norway since 1993, the FRAM programme is organised in six two-day workshops where 8-12 companies receive theoretical knowledge and have the possibility to exchange experiences and network. Between the workshops, the participating companies benefit from personalised interactions with an experienced advisor and the discussions are focussed on ways to increase the competitive position of the firm and its profitability. Each participating firm benefits from around 100 hours by professional business advisors, whereby practical points are worked out with a view to achieving the increased profitability aimed for. The Norwegian government subsidises roughly 50 % of the fees. The total cost of the programme for a participating company is about € 7 000. The participating firm may choose from several versions of the FRAM programme, putting the emphasis on either internalisation, growth or knowledge based services. For further information, see <http://www.innovasjon Norge.no>.

- Supporting East Midland SMEs – A leadership and management programme aimed at owner-managers, **United Kingdom**

In a region having gone through serious economic decline, many workers made redundant are starting their own business. The East Midlands Regional Development Agency recognised the lack of prior expertise in management issues that characterised part of that population and established a scheme which matched their needs. The leadership and management programme, largely subsidised, proved quite successful thanks to its highly practical and customised traits. The programme starts with a workshop of half a day, where owner-managers get the opportunity to network and discuss their professional issues. Each participant is then assigned a Business Coach who will provide guidance and suggestions in terms of training needs and solutions. The programme itself is not geared towards a formal qualification but it systematically provides training in financial, marketing, staff and personnel as well as ICT management, through short time sessions typically delivered at breakfast time or during the weekend over a 12 to 16 weeks period. For further information, see <http://www.emda.org.uk/supportingbusiness/>.

- Development of new management competencies, Saarland, **Germany**

In Saarland in Germany, the impact of globalisation and economic changes have been strongly felt, with serious economic challenges and enfolding restructuring and shifts from a strongly industry based to a service oriented society. Those economic changes implied equally deep changes for the workers concerned, especially for the middle managers and business leaders. The programme put in place was geared at executives and SME leaders. It entailed coaching activities and workshops providing competencies in the “soft” skills identified as crucial to accompany the significant changes described above. The programme aimed principally at developing communication skills, emphasising team-work abilities, problem-solving and self-esteem through theory and team-roles. What made the programme particularly successful was that participants needed to draw examples from their real-life business situations, thus helping improving the situations on the grounds. For further information, see <http://www.refaly.de/wo/saar.html>.

- LIFT – A development programme for company leaders, **Sweden**

ALMI Företagspartner, together with various leading consulting organisations, has developed a programme geared to company leaders aiming for growth. The key words are growth, leadership and peer workshops. Participants meet for two to three days about eight times over a period of a year and the cost is € 5 500. They explore eight issues: conditions for rapid growth, “the world around”, strategic thinking, change management, leadership, financial control and internationalisation. Participants work out a development plan and use their own company as input for the training material. For further information, see <http://www.almi.se/liftspresentation/>.

4.3. E-learning

- The offer of the Elea company, **Italy**

In Italy, the private company Elea is a leading provider of knowledge management services. It notably offers training in business skills, foreign languages and in the use of information technology. With over 20 years experience of working with companies and organisations, for example in the field of change management, it is now a leader in the ICT education market and offers a wide choice of course topics as well as the possibility to opt for customised training solutions or coaching. Its catalogue lists 800 courses focused on soft skills. The company is typically using a blended learning model whereby traditional classroom sessions are used in combination with on-line contents and support (assessment tests, tutoring, frequently asked questions, virtual classroom, etc.). For further information, see <http://www.elea.it>.

- The e-taxation system, **Estonia**

In Estonia, the plain and straightforward taxation system, together with comprehensive on-line help and services, allow most Estonian SMEs to easily comply on-line with the taxation requirements, with minimum or no taxation and legal training necessary. Well designed e-services are an interactive way to apply learning by doing. For further information, see <http://www.emta.ee/>.

- Mixed course for craftsmen organised by the Cologne Chamber of Handicraft, **Germany**

In Germany, a mixed course – 40 % via e-learning and 60 % via regular attendance to classes – has been designed for craftsmen by the Chamber of Handicraft of Cologne. The course is specifically geared to help business owners and managers in handicrafts to be equipped with the personal qualifications to deal with increased competition. Hence, the course proposes to owners of the master craftsman qualifications to enhance their competencies in all aspects of management. Through 520 lessons, lasting over 13 months, the course covers planning and organisation, financial information, marketing, economics, law and human resources management for a fee of € 2 280. After completing the course, participants may take the examination of business economist in handicraft. For further information, see <http://www.hwk-koeln.de/>.

5. CONCLUSIONS AND RECOMMENDATIONS

In today's competitive markets, all European based SMEs should be encouraged, if they have not already done so, to take the leap towards the integration in their activities of state of the art management tools. To achieve this, basic management and ICT skills need first to be fully mastered and then systematically complemented by a constant drive for further learning and improvement.

Although possible sources for learning are numerous and the length and forms are diverse, there are three main common obstacles to the commitment of SMEs to take up on the offers: (1) the recognition and identification of the problem(s), issue(s) or slight weakness(es) that might be improved via a relevant form of training; (2) the lack of ways to assess the quality and relevance of the training offers meeting the SME's specific needs; and (3) the will and ability to attend to the training, including planning and taking the necessary time off busy schedules.

Stimulating and increasing the interest in management skills and knowledge of heads of SME who are not quite aware of the importance of those skills, as well as preparing for a change in ownership of a significant percentage of SME should be a prime objective for policy making to ensure that viable firms continue their operations. Thus stimulating debates at regional or national level on the competitive position of the economy and on the human capital investment in SMEs should be encouraged.

The expert group considers as crucial to break up the isolation of head of SMEs and to ensure that SME managers have access to quality programmes, having a direct positive impact on the profitability of the firm. **Short programmes responding to the life cycle of businesses and allowing for peer interactions are considered as most valuable by the expert group. Training actions on how to deal with crises times are specifically needed.**

The expert group proposed a number of **recommendations** – addressing all the actors concerned – **on how to strengthen management capacity building:**

Business support service providers

Business support service providers are invited to consider the following recommendations:

- (1) **Favour courses and programmes helping to assess the firm's competitive position and directly impacting the firm's profitability.** Entrepreneurs and heads of SMEs need to adhere to the idea that they should always be pro-actively seeking for additional information, and in particular management and marketing knowledge. A healthy constant scanning of possible developments in the markets, in the legislative and administrative environment, and in possible responses and adaptations need to be more than a fashionable idea, but a true day to day practice. Business support service providers and consultants need to build their offers concentrating on THE basic of a firm's life: its competitive position on the market.
- (2) **Make sure that that all phases of the firm's life cycle are covered.** At the start-up phase of a business, the management capacity building is generally well

taken care of, both thanks to the wide array of support available and to the entrepreneurs' frame of mind, being on the look-out for ways to shape and organise the business. Building up the management capacity at times of business turn-arounds, to accompany high growth and/or with a view to prepare for a down-turn in the markets and preventing crises, seems more problematic. Business support service providers and consultants need to ensure that their offers include possibilities for management capacity building throughout the firm's life cycle.

- (3) **Promote alliances with bigger firms.** Piggy-backing for example in the field of exports, can be a way both to boost sales and to gain knowledge and practical experience about export management. Business support service providers need to market this feature when dealing with small enterprises, especially micro-enterprises.
- (4) **Facilitate the creation and promote the use of networks.** Entrepreneurs and their co-workers need to break up their isolation and it is recommended that all heads of SMEs belong to several formal or informal networks which may give them some support and or be a source of needed additional knowledge. Attending professional events from time to time also needs to be adopted as a good practice. Business support service providers and development agencies need to accentuate their efforts to facilitate this process.
- (5) **Schedule training so that small business managers actually can attend.** Since small business managers often have difficulties in leaving the workplace for attending classes and seminars during normal working hours, courses and other training-related events should be scheduled so as to minimise the necessary absence of the manager during normal working hours.
- (6) **Make good use of the possibilities offered by e-learning.** Training by e-learning allows for avoiding some main obstacles to attending training in SMEs, notably the issue of lack of time and the difficulty of being away during normal working hours. It also offers the possibility to receive customised service, notably thanks to punctual answers to specific issues via e-mail or forum exchanges, and it is crucial that this type of training is flexible enough to adapt to the manager's previous knowledge in the field. However, blended learning, combining on-line learning and meeting in virtual learning communities with other more traditional forms of training, is judged as the most effective way of acquiring knowledge in the field of management capacity. For the "soft" types of management skills, i.e. the people or communication based skills, human interactions are deemed as critical and thus traditional learning interactions, through group work for example, remain the most useful way. Business support service providers need to make optimum use of the possibilities offered by e-learning.
- (7) **Business support service providers would need to better market their own services.** Business support organisations are there solely to serve businesses, especially small ones. The expert group reckons that, although business support organisations can and do provide a wealth of knowledge and useful contacts, the use of their services by businesses is far from optimum.

The business world – business associations as well as individual entrepreneurs and owner/managers of SMEs – are invited to consider the following recommendations:

- (8) **Identify and acquire the information or knowledge that matches the specific needs of the business.** Whatever the issue, the sequence is always the same: first identify the area for improvement, and then arrange for acquiring the additional information or knowledge.
- (9) **Identify useful courses and attend some (no excuses), business associations contributing to assess the quality and relevance of training offers.** In a small venture, there will always be an excuse or a reason to “do something productive” rather than passively sit in a course. The expert group underlines the fact that engaging in training actions should be viewed as an investment. The group thus encourages heads of SMEs and their employees to search for sources of training, especially management and marketing training as well as ICT use courses, and to regularly make the effort to organise the attendance of some training actions whether by joining a group course, buying a private course or joining other SMEs to benefit from a customised course meeting the needs of the group. Business associations have an important role to play here, in assessing the quality and relevance of the training offers and providing a forum for exchange of information concerning the content and the value of the offers.
- (10) **The business world needs to be aware that firms may gain additional knowledge through other means than courses and consultants – with a bonus: it can be cheaper!** The group encourages SMEs to make use of all possible ways to tap into additional fresh knowledge. Courses and consultants are not the only way to gather external expertise and cheaper alternatives, such as offering internships to graduates or apprenticeship places, or calling on a mini-company (student enterprise)²⁶ for marketing research, could usefully be explored. Sometimes, the needed additional knowledge can be acquired through an interaction with a specialist or through a lectures given by an expert. It may be worth to invite an expert to make a presentation or to come a company or a group of companies to clarify issues, such as how to fill out a given administrative form. Sometimes the knowledge is even available inside the company and all it takes is writing down procedures or organising internal courses.

Public authorities at national and regional level

Public authorities at national and regional level are invited to consider the following recommendations:

- (11) **Stimulate and increase the interest in management skills and knowledge of heads of SME.** Public authorities can usefully stimulate debates at regional or national level on the competitive position of the economy, on the crucial role of

²⁶ For example, students organised in “Junior Enterprises” can perform business and technical projects for SMEs. With students from different backgrounds, Junior Enterprises operate in extensive fields of services. The European Confederation of Junior Enterprises, JADE, is a student-run, pan-European network representing more than 20 000 young entrepreneurs in 225 local Junior Enterprises. See <http://www.jadenet.org/>.

SMEs in the local economy and on the benefits of human capital investment in SMEs.

- (12) **Provide incentives to the use of existing support programmes in the region or the country.** Whether the bonus is tax incentives or the use of cheques bought at a discount, thus making the training more affordable, there are many ways through which an SME may build up additional knowledge and it is worth exploring different ways of promoting the use of management related training by SMEs.
- (13) **Condition access to start-up funding and/or business support services.** Access to public start-up grants or support services can be conditioned, requiring the (would-be) entrepreneur to follow training in entrepreneurship-related issues, featuring e.g. basic strategy, accounting principles, marketing and legislative issues.
- (14) **Ensure that managerial subjects are available as an option in technical education paths at all levels.** Many high-tech entrepreneurs have an excellent education and experience in their specific scientific area, but lack business management capabilities. Technical education paths at all levels should offer the possibility of studying managerial subjects. Management skills can also be taught in the form of further training, e.g. in the framework of business incubators.

The European Commission

The European Commission is invited to consider the following recommendations:

- (15) **Promote the exchange of knowledge and good practice in the area of management skills** between different countries and between the actors involved, including business associations.
- (16) **Intensify the efforts in order to improve synergies between different European instruments and programmes** (including the use of EU funds and grants), **and also between different services as regards the promotion of management capacity building** (notably Directorates-General for Enterprise and Industry, Education and Culture, Employment, Social Affairs and Equal Opportunities, Regional Policy, and Research).

ANNEX – RELEVANT WEBSITES

The table below lists, per country, some websites useful for the creation and management of SMEs. Some of the sites specifically deal with the support of training actions for SMEs.

Country	Web-site and Organisation	Content
Belgium	http://creation-pme.wallonie.be/ A Walloon Region's web site http://www.abe.irisnet.be/ A Brussels web site http://mineco.fgov.be/ A federal web site http://www.jecree.be A private web site carried out by banks, university, Enterprise and Innovation centre, business magazine http://www.subsidia.be/ Monitored by Ernst & Young http://www.awt.be A Walloon web site http://emploi.wallonie.be/THEMES/FORM_PROF/Cheques_formation.htm	Divided into 3 parts: before beginning, formalities and aids The web site dedicated by the Brussels Region to the help for enterprises Probably one of the most complete web site regarding the enterprises and the help to the entrepreneurs Everything a creator has to do before, during and after his enterprise creation A web site specifically dedicated to consultancy to companies on subsidies, grants incentives Specifically dedicated to Information and Communication Technology Web-site of the Walloon Ministry of Training and Employment informing on the system of training cheques (bought at a discount for buying training and or counselling)
Estonia	http://www.aktiva.ee/ Run by the Estonian Entrepreneurship Development Agency in co-operation with several public and non-profit organisations http://www.koda.ee Run by the Estonian Chamber of Commerce and Industry http://www.riik.ee Official state web center http://www.mkm.ee/ Run by the Ministry of Economic Affairs and Communications	A comprehensive information and service portal for SMEs that enables monitoring business and regulative environment. An aim is also to offer e-state services for entrepreneurs. Access to several state registers. E-journal for innovative entrepreneurs. Information available mainly in Estonian and Russian languages. Information portal with services of the Chamber and Euro Info Center but also legislative environment, economic policy issues and other fields of knowledge relevant for entrepreneurs. Information available in Estonian, English and Russian. Information portal integrates links about government policies, the institutional framework for business, databases and www-services by state agencies. Information about new legislation under preparations, development trends and initiatives that are relevant for SMEs.

Spain	http://www.fundaciontripartita.org/ http://www.agenciaidea.es/ http://www.iaf.es/ http://www.spri.es	Training catalogue Training Institute of Andalucia Training Instituto Aragones Society for the promotion and industrial reconversion (Basque country)
France	http://www.apce.com Run by the State agency to support the creation of enterprises http://www.asforef.com http://www.ccip.fr/	Information to support the creation of new ventures, i.e. mainly legal and administrative
Ireland	http://www.basis.ie Business Access to State Information and Services http://www.StartingaBusinessinIreland.com and http://www.GrowingaBusinessinIreland.com http://www.enterprise-ireland.com/ Enterprise Ireland http://www.enterpriseboards.ie/ Portal site for County Enterprise Boards http://www.fas.ie/ FÁS - Training and Employment Authority	BASIS is the Irish Government's portal for all information on services to business; from this website, individuals and companies can find out details on all state agencies and other providers of services to business including services in the area of training and development for SMEs. Two practical websites developed by an Irish publisher with resource materials for those starting a business or attempting to grow their small business in Ireland. Government agency with responsibility for the development of Irish industry. It offers a range of supports to manufacturing and international services companies (with 10 or more employees). Website provides details on some of the specific supports provided in the area of human resource development and training. Website also provides links to other agencies providing support in specific regions and specific sectors outside the remit of Enterprise Ireland. County Enterprise Boards provide support to micro-enterprises (1-9 employees) that are outside the remit of Enterprise Ireland. They provide support at a local level and offer a range of training programmes aimed at building management skills in micro-enterprises. FÁS provides a range of training and employment programmes aimed at employers, employees and unemployed people. Its mission is to increase the employability, skills and mobility of job seekers and employees to meet labour market needs, thereby promoting competitiveness and social inclusion.

	http://www.skillnets.com/ Skillnets http://www.chambers.ie Chambers of Commerce of Ireland (CCI) http://www.sfa.ie/ Small Firms Association http://www.isme.ie Irish Small and Medium Enterprises Association http://www.imi.ie/ Irish Management Institute	Skillnets is a joint initiative of employer bodies and trade unions to support enterprises in developing strategic answers to their joint training needs. Skillnets has received funding under the National Training Fund and operates on the basis of training networks that bring together groups with common goals in terms of their training requirements. CCI is made up of 59 member chambers representing over 12,000 businesses throughout the country. CCI is actively involved in supporting the training needs of SMEs and is closely involved in the Skillnets initiative. A representative body for SMEs in Ireland linked to IBEC, the main employers body in Ireland. A representative body for SMEs in Ireland. IMI's mission is to work with individuals and organisations to improve the practice of management in Ireland. It is a provider of training programmes to both SMEs and larger organisations in Ireland.
Italy	http://www.sviluppoitalia.it Run by the National Development Agency for enterprise and inward investment development http://www.osservatoriodonna.it/ Run by the National Development Agency for enterprise and inward investment development http://www.attivitaproduttive.gov.it/ Run by the Ministry of Productive Activities http://www.innovazione.gov.it Run by the Ministry of Innovation and Technologies http://www.legge488.it/html/index.php Run by a private company, Eureka Consulting srl http://www.lazioimprese.it/ Run by a private company called Italia Imprese srl http://www.welfare.gov.it/default Run by the Ministry of Welfare http://www.praxa.it/cgi-bin/WebObjects/News Run by a private company called eXtrapola;	The most complete portal regarding information to support the creation of new enterprises: individual firms and SMEs. It is the observatory for female entrepreneurship; it provides information for the start up of new enterprises. Information concerning productive activities; calls for tenders; labour market; patents; import/export; financing; customs. Information on the Information Society A portal on state aids, financial supports, automatic incentives, young entrepreneurship Information regarding entrepreneurship state aids, e-commerce, services for firms, import and export Information on state aids with a focus on welfare and social initiatives News and on-line press review for SMEs concerning e-commerce, marketing, management

	http://www.tesoro.it Run by the Ministry of the Economy and Finance.	Information on provision concerning financial benefits to commercial, industrial and handicraft enterprises hit by floods; criteria and conditions for granting naval credit; facilitations for young entrepreneurs and for self-employment initiatives
Latvia	http://www.ur.gov.lv Commercial register http://www.lda.gov.lv ; http://www.exim.lv ; http://www.balticmarket.org Latvian Development Agency http://www.em.gov.lv Ministry of Economy http://www.vid.gov.lv State revenue service http://www.izm.gov.lv Ministry of Education and Sciences http://www.lu.lv University of Latvia http://www.rtu.lv ; http://www.rsfrtu.lv Riga Technical University http://www.lbka.lv Business Support Centre http://www.chamber.lv ; http://www.trade.lv Latvian Chamber of Commerce and Industry http://www.lak.lv Latvian Craftsman Chamber	All the necessary information with regard to the legal requirements for start up of, changes, general info, etc. Investment and export promotion information, training information, participation at the international exhibitions, dialogue between state and business All SME relevant information – legal frame, state and other support initiatives, EU integration related issues Taxes and tax policies – general information, FAQ, legal documents, application forms, etc. Information on the different professional training possibilities locally and internationally Information on the professional training possibilities at the University of Latvia institutions Information on on-line, distance learning and professional training possibilities Information on training, consultations and project development Information on the Chamber's training possibilities at the Training Centre; cooperation networking – local and international Information on SME development in the craftsman sector – training and seminar, joint projects
Hungary	http://www.gkm.gov.hu Ministry of Economic Affairs and Transport http://www.tradeinform.hu Budapest Chamber of Commerce and Industry http://www.vallalkozni.hu Portal set up by several institutes and firms (Incubator Unit, Local Enterprise Agency, Development Agency and a limited company)	Information on economical and legal environment of businesses, description of governmental SME programmes, applications, a list of the most important institutes which offer services for SMEs Guide of foreign trade and e-business. It also helps to find partners News, forums, learning materials, description of different procedures (e.g. setting up a business), guides for writing applications, business plans, etc.

	www.menedzsmentforum.hu A private web-site of the Menedzsment Fórum Ltd. http://www.vtmsz.hu/ Association of Management Consultants in Hungary	Tests, information on management training, news forums and readings on different subjects (Management, HR, Quality, Marketing, IT, Logistics, etc.) Register of the most important Hungarian consultant businesses and their services (links)
Netherlands	www.syntens.nl Site of Syntens http://www.bedrijvenloket.nl/ A site of the Ministry of Economic Affairs www.higherlevel.nl www.kvk.nl www.evd.nl www.technopartner.nl http://www.subsidieshop.nl/	Offers SME training and advisory measures, analyses, guides, reports, etc. Tips and information for the entrepreneur Community for start up techno-entrepreneurs Information on the Chambers of Commerce (also of training possibilities and networking activities – local and international) Investment and export promotion information, training information, participation at the international programmes for the entrepreneur An organisation financed by the Ministry of Economic Affairs. The site gives information on economical and legal environment of businesses, description of governmental SME programmes, applications, a list of the most important institutes which offer services for SMEs. A web site which information on subsidies for entrepreneurs
Austria	http://wko.at Portal of the Austrian Economic Chambers. http://www.wifi.at http://www.jungewirtschaft.at http://www.bmwa.gv.at Run by the Federal Ministry for Economy and Labour (BMWA) http://www.gruenderservice.net/ http://esv-sva.sozvers.at/ http://www.awsg.at	The most important site in providing information to all economic and policy matters as well as service point for all entrepreneurs in Austria Portal of one of the main important training providers in Austria Community for young entrepreneurs Business Service (esp. SME) to assist all SMEs in business start, business growth and development Portal for young entrepreneurs especially in business start-up-related matters (consultancy, financial, legal,...) Information on social insurance, employees Austria Wirtschaftsservice Gesellschaft mbH (aws) is a special-bank for enterprises and administers the financial support programs of the Republic of Austria

	http://www.ams.or.at/neu/	Information on labour market services
Poland	http://www.parp.gov.pl Site of Polish Agency for Enterprise Development, leading government organisation dealing with SMEs in Poland www.eksporter.gov.pl http://www.e-msp.pl http://www.getin.pl http://www.twoja-firma.pl/narzedzia.html http://www.nettax.pl http://www.szkolenie.pl/ http://firma.onet.pl/	Policy towards SMEs, training and advisory measures, analyses, guides, reports, internet tools supporting match-making with potential business partners Portal collecting market analyses and offers and inquiries Capital market opportunities for SMEs, educational package E-business, taxes, finance, law, customs Investment exchange, investor search, business guides, templates of contracts, documents, official letters Taxes Training courses, providers, e-learning On-line counselling for entrepreneurs, taxes, law, business guides, templates of documents, texts of laws,
Finland	http://www.yrityssuomi.fi Sustained by the Ministry of Trade and Industry http://www.yrityssuomi.fi Maintained by the Employment and Economic Development Centre http://www.yrittajat.fi Maintained by the Federation of Finnish Enterprises http://www.ytj.fi The Business Information System (BIS) is maintained by the National Board of Patents and Registration of Finland and the National Board of Taxes. http://kvo.tokem.fi/OL-virtamk/	Information on services provided by the public administration sector regarding establishing and developing business activities. Topics include: training, consulting, finance, accounting, export and internationalization, counselling. SME-information portal providing knowledge on finance and business development services (export, marketing, accounting, R&D activities) Topics covered: social security, insurance policy, training and education, taxation, legislation, finance, marketing, personnel matters Information on registered enterprises in Finland. E-learning clusters and networks constitute a most interesting development. At least seven regions in Finland have created an e/learning cluster. One of the most interesting is active for Lapland, which specifically targets e-learning as a method for SME training and for the creation of international cooperation.
UK	www.sbs.gov.uk Small Business Service run by the UK	To assist all SMEs in business start, business growth and development; also includes links

	Government (DTI) www.businessadviceonline.org	to the nationwide one-stop-shop service called Business Link The Business Link services provide a portal that includes links to management training
Norway	http://www.bedin.no/ Operated by a non-profit foundation and financed by the Department of Trade and Industry http://www.adekvat.no http://www.infotjenester.no http://www.akelius.no http://www.business.no	BEDIN's main focus is legal and practical information, on establishing and operating a company in Norway. Main topics to be found at BEDIN: Business start up information, Labour market, Financing, Investors, Taxation, Import/ Export, Customs, Standardisation, Patents. Budgets, salary, taxes, travel expenses, personnel matters Budgets, salary, taxes, travel expenses, personnel matters, legal Budgets, salary, taxes, legal Business consulting, networking, general information