



SME COUNSELLING

DEVELOPMENT OF A "FRONT-LINE" ADVICE - GUIDANCE - COUNSELLING SCHEME FOR SMEs' EMPLOYEES

SME Counselling

NEWSLETTER No. 2

Highlights:

1. CONCLUSION OF THE ANALYSIS OF COUNSELLING NEEDS IN SMEs IN THE SCOPE OF SOCIAL SKILLS DEVELOPMENT
2. INTERNATIONAL MEETINGS
3. CONTACT INFORMATION

1. Conclusion of the analysis of counselling needs in SMEs in the scope of social skills development

A final report was prepared by P6 - AHE, Poland, based on the national reports made by the other project partner organizations. The aim of this report is to present the results of the survey performed at national levels and the current assessment of needs for developing social skills. An important part of this report focuses on actions to be taken in this field, i.e. identification of training needs as well as choice of areas and methods which can be used in the researched firms.

Some of the main findings are presented below:

- Characteristics of the SME Sector in the Participating Countries

Italy: The Italian enterprises of industry and services are almost 4.2 million units. They employ 15.4 million persons of which 10 million employees bring a value added of 574 thousand millions euros. The structure of Italian production is characterized by a prominent presence of small enterprises and a minor number of large enterprises. In fact, the average size of the Italian enterprises is about 3.7 employees.

The micro enterprises (with less than 10 employees) represent 95.2% of Italian enterprises. They concentrate 48.3% of workforce, 24.5% of employees, 30.8% of turnover and 34.4% of added value. The 67.0% of occupation is represented by self-employment in this enterprise's segment. The big enterprises (with 250 employees and more) are 3,123 and absorb 18.5% of

workforce (28.4% of employees) and create 28.2% of total added value.

The Netherlands: The total number of Dutch enterprises of all economic sectors is well over 700.000 units. The Dutch workforce amounts to about 11.0 million people of which 8.3 million are active on the labour market and 7.1 million do in fact have employment. The Domestic National Product of the Netherlands is at the moment 454 billion euros. The structure of Dutch production consists almost of 50 percent of micro enterprises and only 10 percent of all enterprises have 10 employees or more. Half of all enterprises in the Netherlands are situated in the western part of the country. The small enterprises (with less than 10 employees) represented in 1999 and 2004 around 90.4% of Dutch enterprises while in

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June 2005
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between these years there was a small decrease of 0.7%. The percentage of micro companies (1 person) was growing from 45.5% in 1999 to 50.0% in 2004 which reflects the climate for micro private entrepreneurship in the Netherlands.

The number of big enterprises (with 250 employees and more) was growing from 2585 in 1999 up to 2700 in 2004 and they represent a relatively small, however, stable percentage of 3.8% of the total number. Macro economic data of 1761 of these big enterprises have been statistically evaluated for 2002 resulting in an employment rating of 14.4% of the total work force and a net turn over of 524 milliard euros and an average profit (after taxes) of 3.8% .

Analysing the data from the national Central Bureau of Statistics (CBS) in the Netherlands from 1999 up to 2004, the total number of enterprises grew from 1999 to 2004 by 2.5%. Over this period the business activity was diminishing in agriculture (-12.6%), whole sale and retail trade (-9.7%) and while manufacturing industry showed a slight increase (+0.8%). A large increase between 1999 and 2004 is shown in construction (+16.0%) and real estate, renting and other businesses (+18.0%). An interesting result of the survey is the amount of educational institutions (governmental and private-commercial) - 2.7% of the total number of organisations in 2004 and increasing from 2.4% in 1999 up to 2.7% in 2004.

The increase of personnel is smaller than the increase in the number of enterprises for these categories of respectively +4.6% and +2.1%. However, this is the other way around for the governmental institutions (and others) that employed relatively more people (+7.7%) while they were decreasing in number (-4.7%) between 2000 and 2002.

The number of inhabitants of the Netherlands is growing with 2.8% between 1999 and 2004. The analysis of this national survey highlights that the

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employment is growing with 2.3% over the period 1999 up to 2004. The percentage of women at work is increasing in total by 4.8% between 1999 and 2004, but with a smaller step from 2003 to 2004 (+0.5%). The number of men at work decreased by 0.2% from 1999 to 2004 with a slight increase of maximum 0.3% %, but a decrease of 0.9% from 2003 to 2004.

The employment rate grows more in other sectors and governmental institutions (7.8%) than the commercial sector (0.4%). The employment of women is growing: 4.8% between 1999 and 2004.

On average in 2004 the registered unemployment was 4.2% in total and women are more often unemployed than men. For young people, especially for 16 - 24-year-old boys, the employment situation is more problematic than for adults. At this moment in May 2005 the total number of unemployed people amounts to about 400.000 (5.3%) and only for 10% of these people there are vacancies on the labour market.

Poland: When analysing the SME sector in Poland one should not forget that practically speaking all the changes that have taken place in this sector have been largely determined by decades of centrally planned economy. In consequence, the sector of private small and medium enterprises was rather weak during that period. Relatively quick quantitative changes took place as early as the 1980s and were rapidly speeded up after 1989.

After 1989, during that period of social, economic and political changes, there appeared new opportunities for development. However, these evolutionary changes were accompanied by gradually emerging threats mainly caused by growing competition on the home market resulting from a growing number of domestic competitors as well as reducing trade barriers whose complete elimination opened up opportunities for imports of goods produced in other countries. During

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the 1990s there appeared a lot of business entities but few of them were able to survive for longer than a year and very few managed to expand and develop. Liquidation of companies increased and the number of existing (and actually registered) business entities of the SME sector changed, currently reaching the level of over 1 700 000 firms which is 99.8% of all the business entities. Significantly enough, the changes in quantity, for example the number of firms of the SME sector in Poland, are often correlated with changes in quality that have been taking place in this sector.

In the structure of the small and medium enterprises, according to sectors of economy, between 1994 and 2003 there could be observed slow changes manifested in a decrease in the total number of manufacturing and trade companies but an increase in the number of companies in the broadly defined service sector.

The participation of the SME sector in the employment rate grew from 56.4% in 1994 to 68.1% in 2003. This data proves that the employment capacity of this sector must have had a significant effect on the reduction of unemployment in Poland. Also, the participation of the SME sector in creating GNP grew from about 40% in 1994 to about 48.6% in 2003, the figures include firms operating in the grey area. However, its participation in export in general between 1994 and 2003 showed a downward tendency which is characteristic of this sector since SMEs are not usually involved in export activity.

Portugal: In order to understand the Portuguese productive system it is important to consider the volume of employment in Small and Medium Enterprises (SMEs). More than half of total employment is in SMEs with less than 50 employees. In Portugal, SMEs amount to 75% of industrial employment and 83% of service sector jobs (EU averages are 57%

and 69%, respectively). Furthermore, the average number of workers in Portuguese SMEs is 7.8; this figure has decreased in recent years. This decline is not due to a change in the productive system but mainly to the downtrend of the national economy.

As in the other EU member states, SMEs prevail in the Portuguese economy. Their contribution to the total number of companies is near to the average observed in EU-15. The same applies to the distribution of the sub-groups (micro, small and medium). In Portugal, micro companies represent 93.5% of the total number of firms (EU-15: 93.2%), the small companies amount to 5.5% (EU-15: 5.8%) and medium-sized companies represent 0.9% (EU-15: 0.8%). A significant difference exists with regard to the SMEs' share in employment, which is much higher in Portugal (78.8%) than in the EU-15 as a whole (66.4% average). This is also the case in other Southern European countries like Greece (86.7%), Italy (80.3%), and Spain (79.3%). This difference is an indicator of the relatively small size of large firms in Portugal. Specific is that the new legislation on labour relations ("Código de Trabalho", 2003) sets the line between medium and large companies at 200 employees.

Small and Medium-sized Enterprises (SMEs) play an important role in economic development in Portugal. They generate economic growth and have contributed increasingly to the growth of employment. As in other European countries, the drop in employment caused by re-organisations of large enterprises has been partially offset by employment growth in SMEs. Nowadays, SMEs account for 45 per cent of total employment in the private sector. But employment in SMEs is characterised by its low-skilled level. In view of the increased national and international competition and technological changes, the development of human resources in SMEs is essential for their survival. However, several surveys carried out in SMEs have

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revealed that these companies make hardly any investment in human capital. Both entrepreneurs and their employees seldom report training needs and hardly any time on vocational training. This is partly due to a lack of orientation towards human resources development in SMEs, but another reason is that SMEs are not reached by regular training programmes.

Romania: In February 2005 the employed population is of about 4,500,700 persons. The employed population in 2000 was about 4,623,000 people. In 2004 the number of employed people dropped to 4,420,900 persons. The year 2005 continues the economic growth that started in 2000 and therefore 2005 is the 6th subsequent year of economic growth in Romania. The year 2003 represented the 4th subsequent year of economic growth. Private sector contribution to GDP with 69.1% compared to approximately 52% in 2002. Gross added value also increased by 4.9% compared to the year before.

By the end of 2002, Romania's workforce of about 8,500,000 had only 1.942.956 persons employed in the private SMEs sector, out of which 37% where in industry, 11% in construction sector, 4% in agriculture and 48% where employed in services. Overall 22.85% of the active population was employed in the private SMEs.

There were about 800.000 enterprises registered by the end of 2002, out of which

only 345.000 were active. 343.000 of these enterprises are SMEs. Most of them are micro enterprises (89%), while 9% are small enterprises and 2% are medium-sized enterprises.

The number of employed people in Romania varies from one year to another. It grew in the year 2000 compared to 1999, dropped by 66,000 workers in 2001. In 2002 the number of employed people dropped below the number of employed people in 1999. This evolution is one of the effects of a long term incoherent demographic policy and frequent changes in legislation. The overall employment rate has been decreasing constantly since 1999 due to the fact that active population is ageing and to the long term effect of immigration.

Nevertheless, the number of people employed in SMEs grew constantly during 2001 (by 1.3%) and 2002 (by 4.6%). Instead, the number of employees in large enterprises dropped constantly (by 6% in 2001 and 2% in 2002).

SME performances depend highly on the priorities set by entrepreneurs and managers. According to the White Charter of Romanian SMEs in 2004, the first priority is the increased use of marketing tools (63%), followed by intensive training of labour force (56.41%), IT systems (52.35%), diversification of production (51.05%) and acquisition of new technologies (50.76%).

- **Methodology of Survey**

The aim of the survey is to identify the needs of SMEs in the area of continuous improvement and development of social skills (*modern methods of interpersonal communication, team building and team management, creative ways of problem solving, crisis/conflict management, motivating, and staff appraisal*) based on the EFQM model criteria.

The survey was aimed at firms belonging to the Small and Medium Enterprise category in Italy, Netherlands, Poland, Portugal, and Romania, namely meeting the following criteria

- (i) *they employ no more than 249 people*
- (ii) *they are implementing TQM or are going to do so in the near future*
- (iii) *they are independent business entities and not parts of larger organisations and also are at least 50% private ownership,*

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- (iv) they operate in manufacturing sector, production and technology services, construction sector or transport sector (the following are excluded from our survey: trading, repairs and real estate services),
- (v) they were set up before 31.12.03.

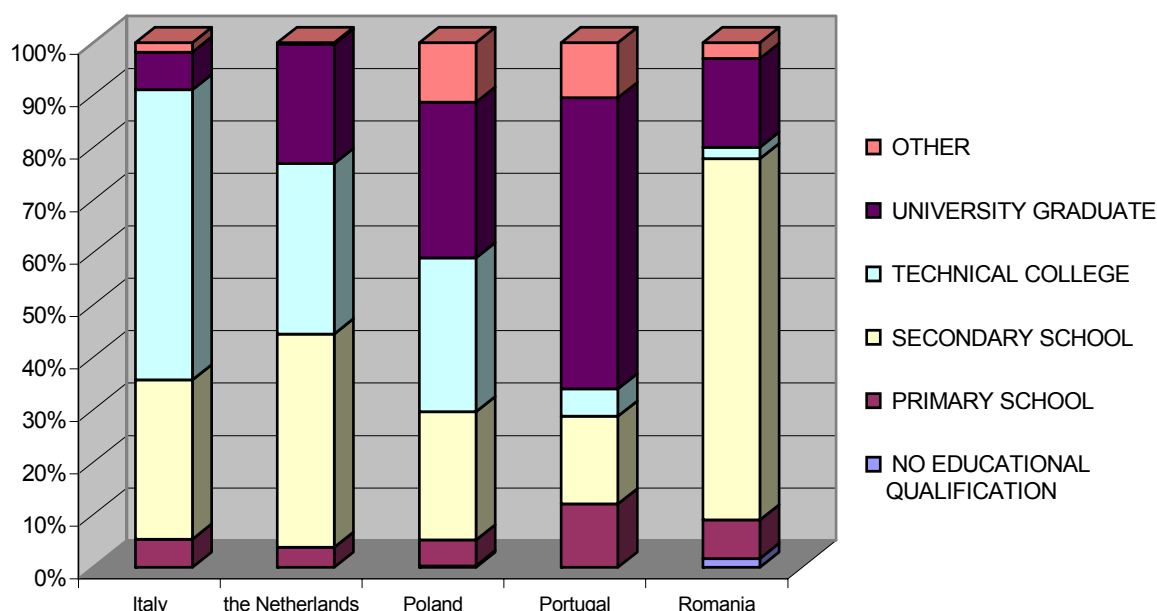
The research survey was carried out via direct interviews and/or sending survey questionnaires by traditional post or electronic mail. The interviews were conducted with owners or co-owners of firms and their employees.

The structure of firms answering to the questionnaires is as follows:

Country	medium	micro	small	Total
Italy			7	7
the Netherlands	6	4	8	18
Poland	7	10	10	27
Portugal	1	6	3	10
Romania	8	5	5	18
Total	22	25	33	80

- Survey Results and Conclusions

When analysing the level of education of the staff employed in the surveyed firms, it is worth pointing out that about 63% of them have secondary general or technical education. Especially high percentage can be observed in Italian firms (nearly 86%), Dutch (73.13%) and Romanian (71%). A large number of employees with higher education (about 23%) are a positive sign for the development of firms (see figure 3). As the presented data shows, in the analysed firms there is a great human potential whose actual involvement in the field of quality management will be feasible only as a result of internal and external trainings influencing the future development of the firms.



Employers begin to understand that, with a growing competition all around, an efficient professional and flexible team is the key to a company's survival and development. This phenomenon is in accordance with recognized theories of strategic management in specialist

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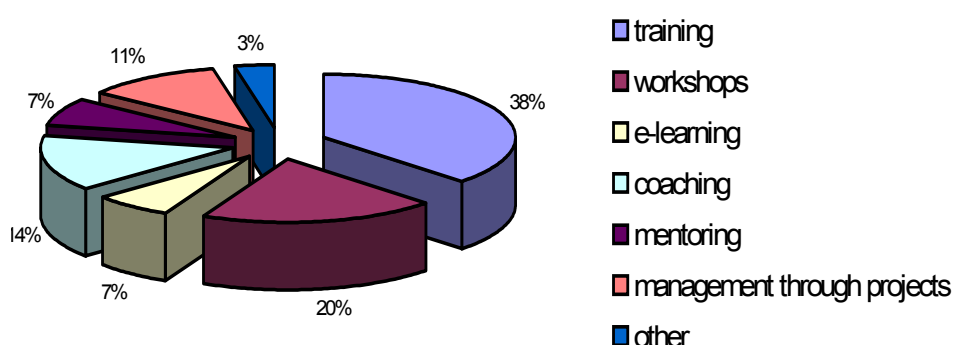


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literature, such as a school of skills and learning which originated in the 1990s and assumed that a firm with excellent, unique and difficult to reconstruct or regenerate, well-integrated and cooperating human resources has a competitive advantage. Results of our research provide significant data on whether firms are interested in developing their employees' social skills¹. It is worth pointing out, however, that in case of the SME sector this interest is mainly on the part of an entrepreneur.

The most frequent methods of employee development are rather traditional ones, such as training courses (38%) and workshops (20%). It is worth emphasizing that in the Dutch and Romanian firms, management through projects is also a very popular method



As our respondents point out, there is a close relation between a business organization's growth and development and its employees or the very entrepreneur, a relation that cannot be ignored in the present dynamic environment. It is not surprising then that in nearly all the countries (except Romania) half of the surveyed firms expressed interest in improving social skills of their employees in the following fields: *modern methods of interpersonal communication* (37%), *creative methods of solving problems* (30%) and *building and managing a team* (19%).

Analysis of the surveyed firms' participation in trainings in the past three years reveals that most of the surveyed firms have actually participated in trainings out of which 75%, however, received training in fields not connected with social skills development.

The quality of the training offer has been evaluated rather critically by 43% of the surveyed firms. The following reasons for the criticism were mostly mentioned: *the trainings are too general* (30%), *too high cost of trainings in relation to their quality* (20%), *low quality of subject matter of the trainings* (13%), and *inappropriate organisation of trainings* (13%).

Quality awareness in the SMEs - Most of the surveyed firms have strategies with clearly defined aims. 80% of them confirmed their strategies included quality policy as their aims. Most of them have implemented a quality management system. Nearly 78% of the surveyed SMEs have a systematic process of developing and defining the company's goals.

¹ *Social skills* are patterns of social behaviour which make individuals competent in social context, i.e. they are able to exert desired influence on others. *Social skills* is a term used to describe specific and observable behaviour, any indication of using one's skills and knowledge in a way that is adapted to a social situation. *Social skills* comprise not only indications of socially acceptable behaviour or refraining from socially unacceptable behaviour (which can be simply called social adaptation) but also behaviour which can facilitate "nice, pleasant interactions in any situation".

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The most important quality data, as expected by clients, has improved recently in 95% of the surveyed SMEs. Only 50% of the SMEs claim that their basic financial indicators have increased faster than those of the competition and only 40% of the surveyed firms claim that companies' processes have been streamlined compared to other companies. 78% of the surveyed firms have defined the current and potential needs of the internal and external customers.

Only the employees of 40% of the surveyed SMEs are receiving regular training which prepares them to respond properly to internal and external clients. 80% of the surveyed firms have a permanent system of improving cooperation with clients but only 60% of the SMEs are also surveying customer satisfaction. Half of the enterprises are regularly surveying employees' satisfaction.

All the results of the survey show that there is a significant interest on the part of the entrepreneurs in the subject of quality and TQM. Awareness of its importance is also indicated in the strong need to start taking action in order to still increase significance of management based on quality. Despite certain differences in the survey results from the participating countries, there can be observed a tendency to appreciate the human potential of the employees (teams) in implementing solutions from quality based management. It is a very positive sign of evolutionary transition from traditional management styles (authoritative style) to modern management styles (democratic style, social style, super leader style). Such change has resulted in the position of a leader as a facilitator with employees participating in establishing and working towards their firms' goals. Analysis of needs in this field and identifying appropriate tools for satisfying the needs open opportunities for implementing management style based on quality.

2. International Meetings

The 2nd international meeting of the SME Counselling project partner organisations was organised by Byweb, in Portugal, on 11 – 12 March 2005.



Besides presentation of project status, group working for project products development and project management aspects, the 2nd international meeting of the partners was an occasion to discuss and decide on some critical issues for the project success:

- **Main social competences needed by a manager:**
 - *Ability to communicate*
 - *Ability to cooperate*

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- *Self-esteem and capacity for synergy*
- *Ability to solve conflicts*
- *Ability to negotiate*
- *Ability to change*
- *Ability to learn how to know*
- *Ability to motivate.*
- **Roles of the manager / front-line counsellor**
 - *Support*
 - In time of crisis
 - During periods of transition and changing
 - *Understanding of others*
 - Building self-esteem
 - Building positive attitude for life/work
 - Providing equal attitude for everybody
 - *Problem solving*
 - *Commitment to own development*
 - Intellectual, social, emotional, spiritual
- **Front-line counselling part of the job of the manager**
 - *Using basic skills to enhance*
 - Communication
 - Listening/responding abilities
 - Problem solving
- **Front-line counselling characteristics:**
 - *Active listening*
 - *Appropriate reactions/responses*
 - *Empathy*
 - *Privacy, confidentiality*
 - *Non-judgmental attitude*
 - *Development based on understanding of the actual status*
 - *Non-directive position*
 - *Integrity*
 - *Introspection*
 - *Knowledge*
 - *Humility*
 - *Interest in (self)personal development*
 - *Respect for the others*
 - *Good memory for detail and feelings*
 - *Ethical behaviour*
 - *Self-control*
 - *Empowering*
- **A manager could become a front-line counsellor if he/she has:**
 - *basic management skills to be enhanced*
 - Communication
 - Listening / feedback abilities
 - Problem solving
 - *Self-esteem*
 - *Adaptability*
 - *Observation skills*
 - *Self-assessment skills*
 - *Empathy*



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