

SUPPORT AND COUNSELLING FOR SME'S

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ABSTRACT: *The importance of the existence of a significant number of dynamic and profitable SMEs, is unanimously recognized by specialists in economic theory and the global experience demonstrates the role of SMEs in the promotion of economic and social development. In this context, providing the tools to support the setting up and the development of small and medium sized businesses represents an essential activity. Thus, the present paper introduces business incubators, industrial parks and business counselling as some of the support structures for SMEs.*

KEY WORDS: *small and medium-sized enterprises, business development, economic and social development.*

JEL CLASSIFICATIONS: *L26, M20.*

1. INTRODUCTION

Increasing attention paid in almost all national economies to small and medium-sized enterprises reflects the recognition of its role in ensuring a balanced economic and social development, representing, at the same time, a premise for continuing the process of creation and consolidation of this sector.

The SMEs sector plays an extremely important role in a modern economy, proving to be the most active sector of the economy as well as a remarkable outbreak of skills and new ideas. In order to support the development of existing SMEs and to encourage the creation of new ones, special attention has been paid, in addition to other measures, to business incubators and industrial parks. Moreover, business consultancy services may be set up as a necessary business tool from the perspective of success.

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2. BUSINESS INCUBATORS

The aim of a business incubator is the development of a favourable and sustainable environment for SMEs to develop and become competitive on the market.

The first definition of the business incubator has been given during the workshop "Best Practices in Incubator Infrastructure and Innovation Support" (Helsinki, 1998), stating that it is "a place which concentrates newly created firms over a limited space. Its goal is to increase the chances of development and the survival rate of these businesses by providing a modular building equipped with the necessary utilities (telephone, fax, computers) and offering managerial support and support services. The main purpose is local development and creating job opportunities."

Another definition is that "business incubators represent a dynamic process of business development. This term covers a wide range of processes that help to decrease the rate of failure of companies which are in the initial phase and to accelerate the development of those that have potential to become generators of jobs and wealth. Incubators offer three main ingredients for the development of a successful business: an entrepreneurial environment and training, access to mentors and investors, visibility on the market" (NBIA).

The concept of business incubators has been developed over time and they can be classified according to a series of criteria.

According to the **operational model**, incubators can be "*Bricks and Mortar*" or *virtual*. The first category provides facilities related to the physical infrastructure, the incubation process taking place in a specially designated building. Virtual ones, also known as incubators "without walls", do not make available a specially designed location (buildings) and services are offered via the Internet.

Considering **the structure of services supplied** by incubators, one can identify five categories:

- *traditional incubators* aim to develop companies that can register a rapid change of production technology (in textiles, footwear industry);
- *technological incubators* support companies the products or services of which have emerged in the context of scientific research (biotechnology, informatics, electronics, etc.);
- *cultural incubators* are the ones that support cultural activities (music, sculpture, photography);
- *social incubators* support activities deriving from social projects;
- *business incubators in the field of agriculture* encourage technological innovation in agriculture.

The "*new economy*" incubators are the latest kinds of incubators to be set up and they are based on access to modern technological means. The difference between them and the traditional ones is that "new economy" incubators shall take into consideration some strict criteria for accepting companies within and they use the highest technology.

In general, business incubators are structures designed to support the development of businesses in their early stages of activity. They represent an important

lever of the local entrepreneurial initiatives which can have a significant impact on a country's economy and that can lead to the creation of a large number of jobs.

The selected companies are housed in a business incubator for a specified period of time (cycle of incubation), during which it receives financial support, counselling services and office quarters.

Alongside the logistic support necessary for setting up a business, the incubator offers an environment conducive to business development by facilitating networking activities, the transfer of know-how and by providing support in striking up partnerships.

Incubated companies have the opportunity to participate in trainings, seminars and conferences, to receive assistance in implementing business strategies, in writing projects needed to attract financing and counselling in other relevant fields.

All these are intended to support the development of companies, so that they can reach a level of stability and autonomy which allows them to leave the Incubator and function on their own, with increased opportunities to cope with the competitive environment and to survive over a long period of time.

The establishment of business incubators in a particular area/region has a series of **advantages**:

- Creating job opportunities and raising living standards;
- Creating an entrepreneurial environment within the community;
- Technology marketing;
- Local economy diversification;
- Establishing or accelerating the growth of local industrial clusters;
- Setting up and maintaining local businesses;
- Encouraging entrepreneurship among women and/or minorities;
- Identifying business opportunities;
- Revitalizing local communities.

However, one should acknowledge the reasons why business incubators may be **at risk** and may register **a series of failures**:

- *Expectations are too high in such a short period of time.* The dynamics of incubators is different from that of other operations, results being obtained in a longer period of time in the case of incubators. Before becoming viable, a company requires a period of 2 to 5 years;
- *Appointing an unsuitable manager.* This person should be organized, with specific qualities of a business man, with the ability to obtain resources and cooperate with institutions;
- *Overestimating the role of incubator.* Incubators can have a significant contribution in terms of expanding and maintaining existing industries in a region. The incubator may not be a solution for the entire region, and most likely, its existence will not result in the relocation of a big industry;
- *Costs too high.* Some incubators do not understand the dynamics of their own business. The ability to manage cash flow and employment within the budget represents a critical element, just like in the case of any business;

- *Failure to manage financial resources.* The incubator needs a few years to become financially stable, and developers must come up with a realistic financing plan.

3. INDUSTRIAL PARKS

An industrial park is a delimited area grouping together economic activities, scientific research estates, industrial production and services, for the purpose of scientific research and/or technological development, in a regime of specific facilities, in order to exploit the human and material potential of the area (www.mdrap.ro).

At the same time, an industrial park represents an area dedicated to predominantly industrial activities, but also to services, to scientific research, to various offices or to warehouses, which is usually located outside the main residential area.

The advantages of establishing industrial parks are taken into consideration by both authorities (be they central or local) and by the private sector represented by investors - developers of such parks, by companies that are housed in such a park and, last but not least, by the local hired workforce. These **advantages** can be summarized as follows:

- *The State* is interested in developing industrial areas, whereas they represent the solution for exiting a situation marked by difficult economic conditions, as well as for reducing economic disparities between various regions. The state can also merge long-term goals of spatial planning with short term industrialization policies;
- *Entrepreneurs* build up a long-lasting business, considering that they are in charge of both setting up the industrial park, and of its management throughout its operation, which means at least 15 years, according to Government Ordinance No. 65/2001;
- *Firms* having affecting environment and seeing their business threatened by the expansion of residential areas and by the rules regarding the quality of the environment (pollution, water quality, air quality, noise limitations) may find the industrial park the proper place for developing their activity;
- *Local manpower* can be hired by companies located within the industrial park, which contributes to the reduction of unemployment.

Among the points of interest for the setting up and operating in an industrial park it is worth mentioning the fiscal facilities. However, one should not forget practical amenities provided by administrator companies in order to attract firms for the purpose of populating such industrial parks, making them competitive on the market.

In perspective, for increasing the attractiveness of the industrial parks in our country, one should take into consideration a series of other facilities, such as those granted to industrial parks abroad (Manolea, 2011):

- non-refundable credits for the payment of income tax and health insurance premiums for employees (MidAmerica Industrial Park/USA);

- 3-year exemption from the tax on profit (Haidian Overseas Students Pioneer Park/China);
- exemption from tax on dividends intended for investments (Albania).

The practical facilities granted by administrators in order to attract companies can be as follows (Dura, 2016):

- training courses for employees (MidAmerica Industrial Park/ SUA);
- providing free consultancy for companies set up in the Park in order to access funds (Haidian Overseas Students Pioneer Park/ China);
- advising investors in choosing the optimal space for their business within the industrial park, accounting services, granting the right to use some patents, good relations with public authorities, access to qualified personnel (Bydgoszcz Industrial Park/ Poland);
- business services including banking, consultancy, customs management (Hungary);
- providing spaces for the production of clean energy

A special category is represented by eco-industrial parks (the so-called "**Eco-industrial parks**"), which are different from the regular ones in terms of purpose as they are set up to encourage cooperation among companies with ecologic aims. In this respect, in an eco-industrial park the production activity of a company is taken into account when ensuring the general maintenance of the Park, so as to provide an ecosystem in terms of resource use and to optimize energy consumption through the synergy of various companies.

4. BUSINESS CONSULTANCY

Consultancy is generally known as a *professional service*, which is diversified and wide spread in developed countries with market economy, addressed to a broad category of persons or organizations from various sectors of economy: public institutions, private companies or state-owned small, medium or large sized enterprises, non-governmental organizations.

The Association of Management Consulting Companies in the U.S. (ACME) defines the consulting business as "a service provided at a certain fee by independent and objective experts who support the management of enterprises and institutions in achieving their goals and in developing rational and balanced activities".

In the period between 1996 and 2004, FEACO, the European Federation of Management Consulting Associations, defined management consulting as "the provision of independent counselling and assistance in matters of management. Typically, management consulting means identifying and investigating the problems and/or opportunities, recommending appropriate actions and assistance in the implementation of these recommendations."

Consulting services in Romania occurred after 1991, with support from the Government and from abroad, in order to foster the process of establishing and developing the private sector. Under these conditions, *consulting centers* were set up and developed in response to the growing demand for such services displayed by private firms, by individuals who feel the need for support in starting a business, by

governmental and non-governmental organizations related to the business environment.

Business consulting, as a professional service, has the following **objectives**:

- nurturing the entrepreneurial spirit;
- entrepreneurial education addressed to persons able and wishing to set up their own company;
- stimulation of creativity, flexibility and power of entrepreneurs.

In accordance with the new segmentation of the European Federation of Consulting Associations, FEACO the business consulting fields are (www.finantare.ro):

a) Consultancy

Consulting Services assist public and private organizations in analyzing and redefining their strategies in order to improve the efficiency of operations and to optimize the human and technological resources.

The service consists of:

➤ *Business Consulting (BC)* which includes:

- Strategic Consulting, which aims at the long-term improvement of the activity of the company: strategic planning, mergers and acquisitions, sales, marketing, communication, financial consulting, human resource strategies;
- Operations Management, which aims at the integration of business solutions through Business Process Re-engineering (BPR), customer relationship management (CRM), restructuring/cost reduction, procurement and management of supplies;
- Project Management;
- Change Management, a consultancy service related to some other consulting services, assisting your organization in managing the effects of change on the human resources within the organization.
- Human Resources Consulting: consulting services aimed at improving the "human" element of the organization by: measuring and managing performance, setting up a system for benefits, compensations and retirement benefits, human resources and marketing strategies, encouraging talents, management coaching.

➤ *Information Technology Consulting* - assists organizations in assessing their own strategies in order to align IT with the business process technologies. These services include planning and strategic concept, implementation and operation

b) Development and Integration

➤ *Application development* (excluding software)

- Creating new functionality by developing processes. Usually these developments integrate or unify business processes, internal or external, and may involve the conversion of some applications in order to be used on different platforms or concepts;
- Designing services which use applications that were created in different programs or existing IT infrastructures (systems development and integration).

- *Installing and implementing applications*
 - Implementing new apps or infrastructures, which means installing new hardware and/or software, configuring and adapting them, testing them; services that integrate the existing applications or IT infrastructures and the management of the entities concerned.

c) Outsourcing (Externalization)

It consists of 3 types of activities:

- *IT management services*. These include services for the operation of infrastructure (operating systems, system management and security, cost-effectiveness, manage your security, cost efficiency tracking, settings management, management of technologies, etc.), apps management and help-desk services management;
- *Applied Management Services (AMS)*. These relate to the externalization of the development and implementation of services-support for hardware, applications, CRM and business infrastructure (tools for developing applications and middleware, software for information management, information storage, for systems and networks);
- *Business Process Outsourcing*. These services imply a complete outsourcing of a process of that certain business.
- *Other consulting services*. They contain a wide variety of complementary services to those three categories described above, such as: training, various studies, outplacement, recruitment and selection.

As far as **the role of the consultant** is concerned, they can function as *specialists or experts*. In this position, they have to be more knowledgeable than their clients, the quality of expert assuming a very narrow field.

The consultant talks to the client and he must understand the overall activity of the customer, proposing a unique solution, adapted to the customer's needs. After the client examines and accepts the solution proposed by the consultant, during implementation, his role is to carry out all the necessary steps established by the consultant.

The consultant may also have the quality of an *advisor or counselor* in the making a management decision. The consultant becomes the client's "right hand", implementing his decisions. The responsibility for the decisions made lies with the customer in full. Basically, the consultant deploys the solution chosen by the client applying his knowledge and experiences in that certain field.

In Romania, business consulting activities fall under the aegis of AMCOR (the National Association of Consulting and Management Training Firms).

AMCOR is a member of the European Federation of Management Consulting Associations, **FEACO** Brussels, and of the International Council of Management Consulting Institutes, **ICMCI**. Nationally, AMCOR is regulatory body of the management consultant profession, being a member of the Union of Liberal Professions from Romania, **UPLR**. AMCOR's mission is to bring added value to its members by promoting a climate of professionalism and ethics on the management consulting market from Romania (www.amcor.ro).

5. CONCLUSION

The contemporary period is characterized by a pattern of production and implementation of scientific progress without precedent in the history of Romania. As a result, competitive innovation becomes a tool for the performance of most SMEs mainly in industry, communications and construction, as well as in the field of services, transportation, agriculture and even commerce. It is therefore the nation's interest to implement in Romania the methods which intensify and optimize the promotion of SMEs, centred on innovation, and which proved effective in other countries. Out of these, the world practice recommends as a priority business incubators and scientific parks (techno-poles).

Accordingly, it is a requisite to establish and manage business incubators in a similar way as in the European Union, so that they can be as effective as those used in other countries, contributing substantially to the creation of high-tech SMEs, of job opportunities, competitive products and services.

Based on consultancy and on the involvement of the social partners, it is recommended to achieve a realistic and comprehensive program for setting up and financing incubators and science parks which have major positive effects, in particular on the development of leading industries and at the same time, the role that business consulting activities have in supporting and developing the activities of SMEs should not be minimized.

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