

MANAGEMENT COMPETENCES ASSESSMENT IN SMALL AND MEDIUM-SIZED FOREST ENTERPRISES

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Abstract

The role of small and medium-sized enterprises (SME) in the development of economics becomes more important, as they can quickly re-orientate in the rapidly changing economic situation, and they are the main guarantee of wellbeing on the regional scale. Although these enterprises are different, still the SME in the European Union meet several similar difficulties. One of the main problems of the SME is lack of management competences that causes difficulties in ensuring efficient management of the enterprises.

The aim of the research was to investigate the competences that are necessary for the employees to carry out their duties from the point of view of small and medium-sized forest enterprises (SMFE). The task of the research was to identify problems faced by the SMFE management in daily business. To get results, the qualitative interview method was used as well as, survey was carried out, and the obtained data from well-established methodology and criteria were evaluated.

The research results show that the distribution at the SME is specific professional competence with 40%, social competence with 23%, methodical and individual competence with 19% and 18%. The results show that necessary management competences in SME and large enterprises are equal, but the kind of their application and topicality differ; therefore, it is essential to organize activities of professional development concerning the definite model and type of business. The professional teaching models for SMFEs should be according to enterprises management specifics, focusing on the fact that managers of SMFEs to combine the competences.

Key words: competences, small and medium-sized forest enterprises.

Introduction

The role of small and medium sized enterprises (SME) in the development of economics, irrespective of the expressed globalization trends, in the forest sector is considered to be more important and their efficiency is counted as a significant factor of survival and success (Loan-Clarke et al., 2002). The importance of the SME in the society today becomes more and more notable, as they can in the quickly changing economic situation rapidly re-orientate and they are the main guarantee for ensuring of wellbeing on the local and regional scale (Mazo..., 2008).

Based on the size of the SME they are divided into three categories: microenterprises with less than 10 employees, small enterprises with 10 to 49 employees and medium

size enterprises with 50 to 249 employees. The SME in Europe from 99.8% of all European enterprises and 67.1% of private-sector jobs, but more than 80% of employment in some industrial sectors such as the manufacture of metal products, construction and furniture (Mazo..., 2008).

SMEs offer very traditional services or craft products, many others are fast growing high-tech companies. Although these enterprises are different, still in the European Union they have many similar difficulties. The most essential problems the SME face within the EU are administrative and regulatory burden, access to finance, taxation and lack of competences (Mazo..., 2008, Table 1).

Table 1

Most essential problems SME are facing in Europe

Most important problems	Place
Administrative and regulatory burden	1.
Access to finance	2.
Taxation	3.
Lack of skills	4.
Access to public procurements	5.
Unfair/too strong competition	6.
Labour law	7.
Access to Single Market	8.
Access to EU programs	9.
Late payments	10.
Access to international markets	11.
Access to information and advice	12.

It can be concluded that one of the most essential problems is lack of management competences that causes difficulties in ensuring SME efficient management. The government initiatives the aim of which is to develop the competitiveness of the SME should be intensified in the spheres promoting the development of the enterprise management competences (Smith and Whittake, 1998). By now the role and development of the management competences in SME are insufficiently investigated and the previous research shows that factors influencing the SME operation are not completely understood (Smith et al., 1999).

Latvia is one of the most forested EU member states. The forest sector has convincingly demonstrated its strategic importance to Latvia's national economy. Of all the companies registered in Latvia, 8% are linked to the forest sector, which employs around 5% of the labour force. The forest sector share of Latvia's gross domestic product is about 5% (in 2009). The forest sector is Latvia's most important export industry, historically having contributed as much as one third of national export revenues and about 70% of forest sector output is exported (Forestry..., 2009). Therefore, the management competences assessment of the SMFEs can increase the total forest sector competitiveness at both national and global level.

The present article describes the opinion of the authors on the efficiency of the SMFE, teaching models of professional growth as well as the competences necessary for SMFE management. Today different development programs for the improvement of the competitiveness of enterprises and the economics in total become more topical. Training to improve the competences of the enterprise managers implemented before was aimed mainly at the development of skills that are applied in large enterprises, but with the increase of the understanding about the needs of the SME, the necessity for corresponding education and training arises. Programs for the development of SME management competences are efficient if the main gain promotes survival and development, decreases failures and

shows improvement in performance (Fuller-Love, 2006).

The competitiveness of the enterprise is determined by the employees who are not only qualified professionals but also can solve the problems caused by external influences that become more complicated. By the notion "competence" a totality of factors characterizing a person for carrying out successful duties at work or knowledge, experience, skills, abilities in a definite field are understood.

In literature sources two kinds of competence groups are distinguished - specified competences and generic competences (Gonzalez and Wagenaar, 2003).

Development of the competences of the employees is a progressive trend more and more chosen in the educational establishments in Europe.

As it is mentioned above, competences are formed as a combination of definite skills and abilities. In order to determine the competences, the following interrelated competence groups were defined and specified as professional competence, methodical competence, personal (individual) competence and social competence (Knauf and Frühwald, 2001; Figure 1).

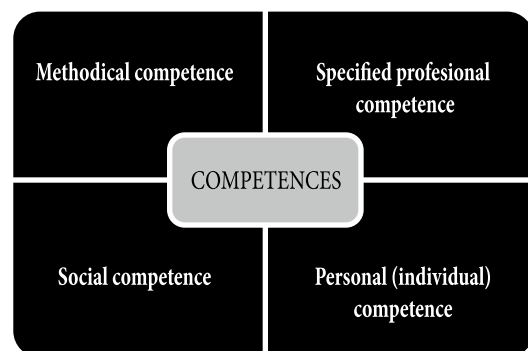


Figure 1. Competence groups in SME.

Applying the elaborated classifier of competences they were divided into skills and habits that form them (Table 2)

Table 2

Skills and abilities included in competences in SME

Specific professional competence	Methodical competence
1. Professional experience in product/service 2. Theoretical knowledge on product/service	1. Process planning 2. Project development and implementation 3. Application of management and control mechanisms 4. Calculation of costs 5. Signing contracts 6. Documentation of work 7. Work with computer
Social competence	Individual competence
1. Formation of relations with clients/suppliers 2. Organization of structural unit and personnel management 3. Work with foreign co-operation partners 4. Team work ability 5. Solving of conflicts, taking decisions 6. Collection and processing of information	1. Introduction of new technologies and processes 2. Independent setting and achievement of aims 3. Ability to work individually 4. Good language knowledge 5. Foreign language knowledge (Russian, English, German etc.)

In addition, it should be taken into account that every competence forms accumulating theoretical knowledge of a definite field and skills for application. Depending on the kind of enterprise operation, the proportion of practical application of these two elements of competences essentially changes. This is the main difference between the competences necessary for the management of the SME and the definite competence elements necessary for the management of the large enterprises (Figure 2). Formally the same competences are needed, but the kind of their application is determined by the kind of operation at a definite enterprise (in large enterprises it is determined by the post of the employee).

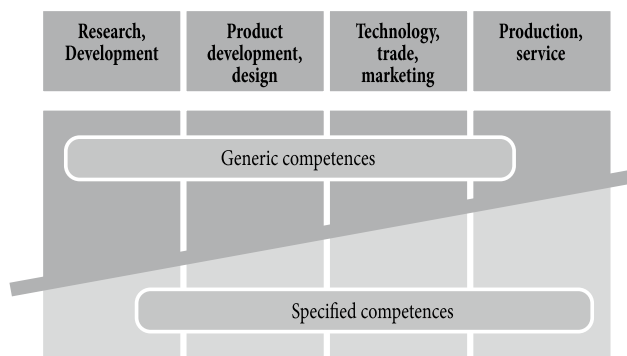


Figure 2. Proportion of theory and practice of the demanded competences in SME.

In acquisition of competences, formal education plays an important role. The main problem stressed by businessmen is that employees are not trained to be sufficiently competent for business. Therefore, it is important to offer education adequate to business needs. The necessity for different education methods for small and large enterprises becomes more topical. Today, according to the opinion of the authors, in the conditions of business development different education models would be necessary for small and large enterprises, and there should be the transition marked from the entrepreneurship model for small enterprises to the entrepreneurship model for large enterprises (Figure 3). Also, in fast changing economic situation the type of enterprise operation can quickly change.

Successfully developing a specific product in a micro or small size enterprise, as well as a demanding large production capacity and with this – corresponding competences of business organization can occur.

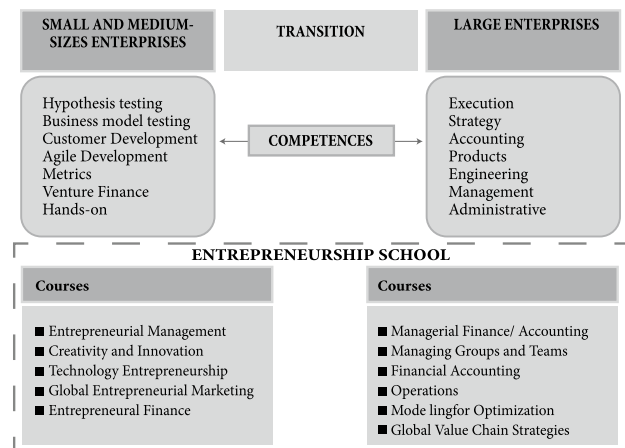


Figure 3. Training model in small and large enterprises.

The necessary management competences in SME are the hypothesis testing, business model testing, customer development, agile development, metrics, venture finance and “hands-on”, which developed the following courses – the entrepreneurial management, creativity and innovation, technology entrepreneurship, patent law for entrepreneurship, global entrepreneurial marketing and entrepreneurial finance. But in large enterprises necessary management competences are the execution, strategy, accounting, products, engineering, management and administrative, which developed the following courses – the managerial finance and accounting, managing groups and teams, financial accounting, operations, modeling for optimization and global value chain strategies (Figure 3).

Materials and Methods

In the research on the competences of specialists and managers (skills and abilities), the qualitative interview method – inquiry of experts – was applied. This method is used to obtain the opinion of a definite group more deeply about the proposed question (Brunseman et al., 1997). The selected experts are as follows: enterprise managers, personnel department managers, managers of the most important units and target group specialists.

The aim of this method was to state the general situation in the researched matters and not to get a representative and statistically processed result. By using the obtained information, it is possible to get more complete insight in the significance of the situation in relation to the qualification and skills of the employees, position of a definite enterprise represented by the expert in these matters as well as the reasons and barriers for the development of the qualification of the specialists.

The task of the research was to identify problems faced by the SMFE management in the daily business. In the research actively working wood processing, forestry and furniture production enterprises in Latvia were included. The research was performed from September till December, 2010. Out of 150 randomly selected SMFEs, 47 enterprises

confirmed their participation in the project, the operation of which corresponds to the NACE classifier is forestry and logging in NACE Rev. 2 A 02, manufacture of wood and wood products of wood and cork, except furniture, manufacture of articles of straw and plaiting materials in

NACE Rev. 2 C16) and furniture production in NACE Rev. 2 C31 (NACE..., 2006).

Systematization of the obtained results according to the qualitative content analysis model of Mayring (Mayring, 2002; Figure 4) was done.

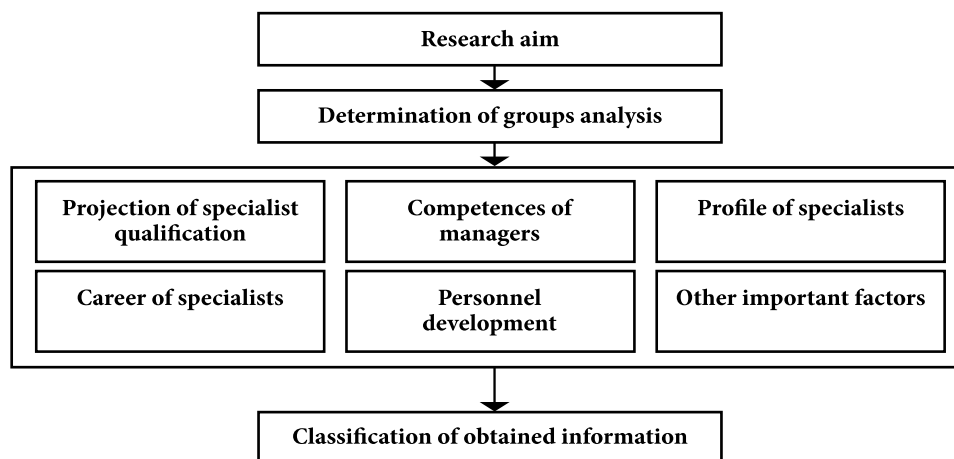


Figure 4. Diagram of information collection and processing.

If during the interview a skill or ability was mentioned that could not be classified as related to any of the competences in Table 2, they were classified in a separate group – other skills and abilities.

Evaluating every separate skill in the corresponding group of competences, the experts were asked to evaluate every skill according to its importance. The Likert scale that allowed to evaluate every skill in the range of four points - not essential, less essential, essential and very essential was applied.

Evaluating every skill and ability that from the corresponding competence, the respondents were asked to express their opinion and evaluation. It helped to identify and evaluate main reasons why definite skills are essential or not essential for the manager.

Results and Discussion

The research results show that in SMFE ~83% managing employees have special education in forestry sector. With this, determining the management competences, it was possible to determine skills and abilities that are necessary in SMFE. The results also show that ~60% SMFE are located in Riga and Riga region. It is related to higher economic activity compared to other regions in the territory of Latvia.

Analyzing the qualification of employees in the labour market, the following factors with which the SME confront at work are mentioned most often (Table 3).

Table 3

Main labour market influencing factors in small-size and medium-size enterprises

Factors	Medium	Small
Increase of the demand of enterprises for highly qualified specialists that can deal with complicated processes and equipment	X	X
Difficulties to attract specialists with higher education and necessary management skills	X	X
Lack of good managers with leadership abilities and ability to take decisions, create conditions and organize processes for the enterprise to get income and profit	X	
Employees leaving the enterprise to get higher salaries in other places		X

Characterization of management competences

In the SMFE in total all offered competences were considered to be necessary, still, evaluating every separate competence. The research results show distribution

among the competences as follows: specific professional competence with 40%, social competence with 23%, methodical competence with 19% and individual (personal) competence with 18% (Figure 5).

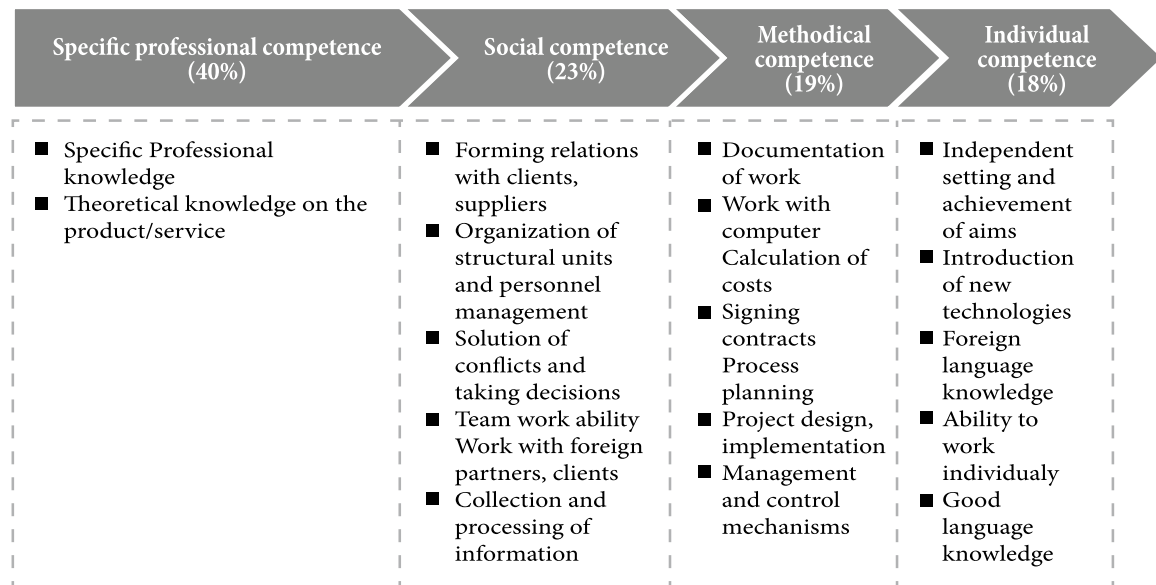


Figure 5. Characterization of management competences in small and medium size enterprises.

Specific professional competence

The obtained results show that in SME the specific professional competence plays an important role. In total the respondents think that the professional competence is very significant, in particular (Figure 6):

1. theoretical knowledge about the product / service sales – if market conjuncture is stressed, then knowledge

on different ways of usage of the product is necessary in order to offer alternatives (42 respondents of the total number) to the clients;

2. specified professional knowledge - the task is related to highly technological processes – production, design (42 respondents of the total number).

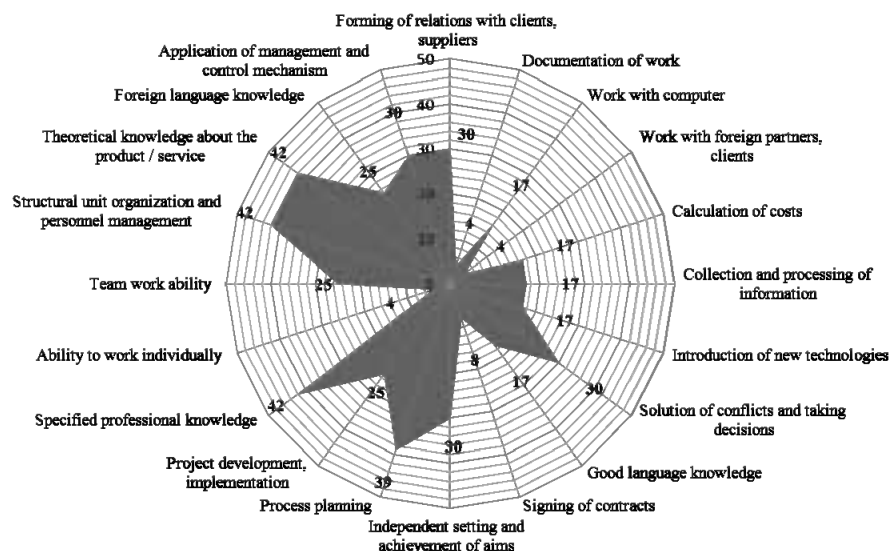


Figure 6. Necessary management competences in small and medium size enterprises, number.

It was stressed that employees without special branch education have to spend comparatively longer time to understand the processes at the enterprise than those who have the mentioned education, so the latter have much more possibilities to develop at the enterprise.

Social competence

The social competence at the SMFE is evaluated as the next most significant with the following necessary skills and abilities (Figure 6):

1. Structural unit organization and personnel management (42 respondents of the total number);
2. Solution of conflicts and taking decisions (30 respondents of the total number);
3. Forming of relations with clients, suppliers (30 respondents of the total number);
4. Team work ability (25 respondents of the total number);
5. Collection and processing of information (17

respondents of the total number);

6. Work with foreign partners, clients (4 respondents of the total number).

Depending on the specificity of the SMFE production is organized in shifts that can be treated as a team. The main task is to create the state when employees are motivated cooperate and reach the set aims. In order to ensure it, it is necessary to maintain good atmosphere solving the conflicts quickly and finding individual approach to every employee.

Methodical competence

It can seem strange that the methodical conference at the SME is evaluated only as the third with the following skills and abilities (Figure 6):

1. Process planning (39 respondents of the total number);
2. Application of management and control mechanism (30 respondents of the total number);
3. Project development, implementation (25 respondents of the total number);
4. Computer literacy (17 respondents of the total number);
5. Calculation of costs (17 respondents of the total number);
6. Signing of contracts (8 respondents of the total number);
7. Documentation of work (4 respondents of the total number).

In the inquiry among the respondents it was stated that the employees should not know that many definite methods (for instance, documentation of work, signing of contracts) as they should be able to co-operate with the workers who have these skills. Here it should be stressed that separate skills such as project development and implementation are evaluated as essential.

Individual (personal) competence

The individual competence in SMFE according to its relevance is evaluated close to the methodical competence with the following necessary skills and abilities (Figure 6):

1. Independent setting and achievement of aims (30 respondents of the total number);
2. Foreign language knowledge (25 respondents of the total number);
3. Introduction of new technologies (17 respondents of the total number); Proper language knowledge (17 respondents of the total number);
4. Ability to work individually (4 respondents of the total number).

According to the evaluation of the respondents, the employees need to develop this competence, otherwise, it is not possible to co-operate successfully with colleagues and participate in formation of the team.

As it was mentioned above, the competences are formed as a combination of definite skills and abilities. Evaluating the skills and abilities individually, information is obtained about skills and abilities of the managers that are evaluated as essential (See figure).

Besides the skills depicted in the graph, the respondents mentioned the following skills that are essential for a good employee:

1. readiness to learn continuously and acquire new knowledge, skills and solutions – the present market development is so dynamic that the employees must be able to take new technological, cultural challenges;
2. ability to argue and defend the opinion – the manager should be convinced about proposal and solution offered by him/her;
3. ability to understand him/herself and others – employees should be able to work with themselves, answer the question why in definite situations definite emotions occur and how they influence the staff;
4. ability to evaluate critically him/herself, productive attitude and value orientation; personal competences;
5. ability to be active, creative based on self-organizing – be reflective, to treat the surrounding conditions technically and methodically and communicate with other people;

Conclusions

1. The research results prove that the efficiency of the SME operation in the Latvian forest sector also is influenced by the same factors as researchers of other countries mention in their publications. Therefore, the recommendations of these researchers can be used for evaluation of the necessary management competences in Latvian SME.
2. The necessary management competences are equal in the SMFE and large enterprises but the kind of their topicality and application differs, therefore, it is very important to organize professional development activities that are aimed at the definite model and kind of business.
3. The efficiency of introduction of the statements obtained in the result of the research in planning of activities for professional development is closely related to academic or professional education in the corresponding field. The professional teaching models for SMFEs should be according to enterprises management specifics, focusing on the fact that managers of SMFEs combine several competences. Therefore, in future research it is necessary to broaden the research field also including the evaluation of influence of formal education.

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