

EBRD Advice for Small Businesses: offering strategy and advice for SME competitiveness

The EBRD Advice for Small Businesses programme has recently conducted an expert-opinion survey to capture the most urgent concerns of the Romanian small and medium-sized enterprise (SME) sector and map out potential solutions.



The study, conducted with several of the consultants in the programme, revealed that Romanian SMEs are looking to increase their capacity and establish viable business strategies but they are unable to access professional expertise and consultancy services that would help them achieve these goals. The study revealed six main topics of interest.

1. Strategy and priorities:

- “If many organisations focus on turnover and production efficiency in the short term, in the long-term [...] it is vital to build a healthy organisation with a real culture, not just one displayed on the walls. This requires constant effort, which is almost unquantifiable.” (Dan Ionescu, Danis Consulting)
- “A coherent and coordinated strategy ensures risk reduction and business sustainability.” (Diana Dimitriu, Centru de Promovare și Publicitate)
- “The priorities of any organisation, from large companies to SMEs, must be formulated, brought to the attention of all

those who are expected to contribute to them and followed up. For this reason, applying a tool that helps to transparently formulate strategy, to plan, and monitor it, such as Balanced Scorecard, is essential in the strategic management process. It is also very important for the strategic objectives to be correlated, the links between them to be identified, in order to use limited resources to achieve the objectives. For example: to achieve a profitability level of 12 per cent, we must have a 3 per cent market share with X and Y products, we need to increase the efficiency of X and Y production processes, and for these we need automation and team training.” (Zsuzsa Bereschi, Horvath & Partners).

2. Formulas for success/development plans:

- “There are no unique recipes for success for each industry. There is a certain pattern that is found in companies in the same sector, but solutions need to be personalised, [...] when the company gets bigger, a “one size fits all” solution is no

longer appropriate.” (Cristi Cozic, Entersoft)

- “A SME, its owners and employees should focus on business-generating activities, not on time-consuming tasks – those can be automated.” (Georgian Roșu, Pluriva)

- “It is important for development plans to take into account external factors and internal capabilities.” (Zsuzsa Bereschi, Horvath & Partners)

- “The priorities of a Romanian SME in increasing competitiveness are: correct positioning, differentiation of competition and increasing penetration of the product.” (Diana Dimitriu, Centru de Promovare și Publicitate).

3. Growth:

- “Growth (of the number of employees, of turnover ...) should not be an end in itself. More important is stability - a constant profit over 10 per cent, a reasonable cash flow. Subsequently, entrepreneurs can decide the next steps and growth is but one of them.” (Dan Ionescu, Danis Consulting)

Change = making something different or becoming different.



■ “As long as the growth rate of an SME is consistently (over a period of 3-5 years) significantly higher than the growth rate of the industry, we can say that the company is competitive. From our experience, sustainably competitive companies that have a strategic approach have a growth rate of twice the turnover of the other companies and a rate of profit growth over six times higher.” (Eusebiu Margasoiu, The Network).

4. Positioning:

■ “People usually buy brands, not products or services. For healthy growth, you need to invest in your brand. The strategy should not overlook online presence. Online promotion costs are smaller and more effective than other promotional channels. I think that every SME must have a website and a presence

on Google and Facebook.” (Eugen Predescu, Canopy)

■ “In the developed markets, we have noticed the trend towards partnerships and partnership strategies.” (Diana Dimitriu, Centru de Promovare și Publicitate).

5. Management, consultancy and IT:

■ “The experience transmitted from consultants to employees transforms the investor’s way into an easier and more focused path, leading to results.” (Cerasela Gheorghiu, Leader Hotel Consulting)

■ “In recent years, technology has also made it easier for SMEs to access IT applications that, until now, were only available to very large companies.” (Georgian Roșu, Pluriva)

■ “I believe today that these solutions fall

into the utilities category, such as electricity and running water.” (Bogdan Dumitrasconiu, Prova Nov)

■ “Regardless of where it operates, a business software platform will lead to a more efficient organisation of the company’s business and thus to increased competitiveness, including export. A team of experienced consultants will identify exactly what obstacles the company faces, what are the opportunities and what are the most suitable solutions that will help the company to increase its productivity, but also its competitiveness. This initial audit is essential to the success of the company’s technology.” (Cristi Cozic, Entersoft).

6. Winning sectors:

■ “The most dynamic sector has turned out to be IT, although it has great problems

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in providing an adequate workforce to meet demand. At present, apart from IT and agriculture, it is difficult to say what the winning areas in Romania are.” (Cristi Cozic, Entersoft)

■ **“The IT and hi-tech sector is experiencing a dynamic development. In industrial production, the automotive sector will continue to grow as well as the construction of facilities and equipment.”** (Zsuzsa Bereschi, Horvath & Partners).

The study also revealed common concerns, challenges and barriers for Romanian SMEs, which include:

■ **Lack of clear strategies communicated to the whole collective**

■ **Lack of venture capital:** “Developed markets place great emphasis on SMEs as a basic economic force, so that their access to finance, information needed to penetrate international markets, support in internationalisation (such as obtaining various certifications required for export) are supported by government programmes.” (Zsuzsa Bereschi, Horvath & Partners)

■ **Lack of confidence to export to countries with strong purchasing power:** “Romanian products and services often do not have enough information on how to develop export markets, what business models are being practiced.” (Zsuzsa Bereschi, Horvath & Partners)

■ **Fear of making mistakes:** “I think the fear of mistakes, the fear of testing new things and investing are some of the reasons why small companies fail to grow. When you’re young, it’s important to make mistakes and learn from these mistakes.” (Eugen Predescu, Canopy)

■ **Ineffectiveness of family businesses**

■ **Poor legal environment**

■ **Problems delegating responsibility:** “An

entrepreneur cannot know all.” (Eugen Predescu, Canopy).

■ **Limited financing, or only seeking it from own sources and banks:** “Companies require consultancy but fail to go further because of the lack of budgets for implementation of projects” (Diana Dimitriu, Centru de Promovare și Publicitate)

■ **Lack of innovation:** “Whatever the question, education is the answer. To learn how to lead a business, like any other job, involves continuous learning.” (Dan Ionescu, Danis Consulting)

■ **Lack of trained staff:** “Quality labour is a resource that is more and more difficult to find in Romania, indeed, in almost any field. The causes of this lack of staff are multiple. On the one hand, the aging population, and on the other hand the lack of constant encouragement of the active population for professional reconversion, through government social policies.” (Cristi Cozic, Entersoft)

■ **Inadequate knowledge about consulting and other services:** “[...] do not have enough information about what business models are being practiced.” (Zsuzsa Bereschi, Horvath & Partners).

The following consultants contributed to the expert opinion poll: Centru de Promovare și Publicitate; Danis Consulting; Entersoft; Canopy; Horvath & Partners; Leader Hotel Consulting; Pluriva; Prova Nov; and The Network.

About the Advice for Small Businesses Programme

The EBRD Advice for Small Businesses programme, supported by the European Investment Advisory Hub with funding from the European Union (EU), helps

SMEs access the help they need, matching them with a local consultant who can assist with everything from strategy and IT to marketing, energy efficiency and operations. On average, the programme has seen a 55 per cent increase in a SME’s productivity.

The current net average cost of projects implemented by companies within the programme is about €13,000, and two-thirds of costs are covered by a grant.

SMEs eligible for the programme have a turnover of less than €50 million, less than 250 employees, are locally owned and have at least two years of operational activity. Since the relaunch of the programme in Romania, in November 2017, 45 projects are already under implementation. By the end of the programme in 2020, more than 100 SMEs will have received support in accessing business advice.

In Romania, within one year after completing a consultancy project under the programme, 72 per cent of SMEs report having increased their turnover by an average of 45 per cent, and 55 per cent have improved their productivity while expanding their business.

About the EBRD

The EBRD is one of the largest institutional investors in Romania, with investments of over €8 billion in over 420 projects. The EBRD’s commitment to local business development in Romania began in 1993 with the launch of consulting services for small businesses. Since then, the EBRD has helped over 700 Romanian enterprises access consultancy services and transform their businesses.

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