

News / Information

**Konferenzbericht
V. Chemnitzer Ostforum
„Personalmanagement in der Transformation“
21. bis 23. März 2001
Renaissance Hotel Chemnitz**

Das V. Chemnitzer Ostforum führte 115 Wissenschaftler und Praktiker aus 17 Ländern in Chemnitz zusammen. In der Veranstaltung unter der Schirmherrschaft von Wolfgang Thierse, Präsident des Deutschen Bundestages, wurden Fragen des Personalmanagements im Transformationsprozeß der mittel- und osteuropäischen Reformländer in 14 Arbeitskreisen mit über 40 Beiträgen diskutiert.

Das Thema „Personalmanagement im Transformationsprozeß“ adressierte verschiedene Aspekte der veränderten Bedingungen für die Personalarbeit und Personalführung in den Unternehmen in Mittel- und Osteuropa. Die dabei von den Unternehmen häufig kopierten westlichen Konzepte und Methoden scheinen anpassungsbedürftig im Sinne einer selektiven und betriebs-spezifischen Übernahme und bewussten Verknüpfung mit tradierten „sozialistischen“ Arbeits- und Leitungsmethoden, nationalkulturellen Elementen und Erfahrungen aus der Transformation. Zudem müssen sich westliche Unternehmen bei ihrem wirtschaftlichen Engagement in Mittel- und Osteuropa den national unterschiedlichen Bedingungen anpassen bzw. diese bei ihrem Vorgehen berücksichtigen.

Ausgehend von diesen grundsätzlichen Problemen standen u.a. die folgenden konkreten Fragestellungen im Zentrum der Tagung:

- Welche strategische Rolle kommt den Personalmanagern zu, wenn Unternehmen in grundlegende gesellschaftliche Transformationsprozesse eingebunden sind?
- Wie gestaltet sich das Verhältnis von Führungskräften und Mitarbeitern und welchen Einfluss haben Gewerkschaften und andere Verbände in Zeiten radikalen Wandels? Welche speziellen Aufgaben und Probleme ergeben sich für die betrieblichen Mitarbeitervertretungen?
- Wie erfolgt die notwendige Personalanpassung und welche Rolle spielt die Personalentwicklung?
- Welche Beiträge kann ein Personalmanagement leisten, das selbst vom Umbruch betroffen ist? Lassen sich neue Handlungsmuster erkennen?
- Welche Rolle spielen Expatriates und welche Beiträge zur Bewältigung leisten in westlichen Unternehmen bewährte Managementkonzepte und –instrumente?

- Welche Beiträge leistet das Personalmanagement zur Organisationsentwicklung und zum Kulturwandel in den Unternehmen der MOE-Staaten?
- Welche Auswirkungen hat die bevorstehende Mitgliedschaft von MOE-Ländern in der EU auf das Personalmanagement in diesen Ländern?
- Welche neuen Herausforderungen an das Personalmanagement in Ost und West ergeben sich durch den verstärkten Einsatz von Informations- und Kommunikationstechnologien, z.B. Internet?

Den Rahmen für die wissenschaftlich wie praktisch orientierten Diskussion bildeten die Plenarreferate von Prof. Robert House (The Wharton School, University of Pennsylvania, USA) zu „Key Findings from the GLOBE Research Program: A 62 Nation Study of the Effects of National Cultures on Leadership and Organizational Culture and Practices.“, von Prof. Aleksy Pocztowski (Wirtschaftsuniversität Krakau, Polen) mit dem Thema „Facing old traditions and new challenges - Human resource management in central and eastern Europe“ sowie von Prof. Akihiro Ishikawa (Chuo University, Japan) zum Thema „Who are isolated at the workplace in transformation?“ und Prof. Igor Gurkov (Higher School of Economics, Moskau, Rußland) zu „Mapping HRM in Russia: The Results of Repeated Surveys of CEOs“. Die wissenschaftlichen Plenarreferate zeigten, dass es einerseits bestimmte gemeinsame Muster von Führung und Personalarbeit in den MOE-Ländern gibt. So verweisen die Untersuchungen von House und Ishikawa auf ähnliche Muster mit starker Gruppenorientierung, zugleich jedoch eher autoritär-patriarchalisch, mit einer doppelten Identifizierung („double identity“) sowohl mit dem Management als auch mit den Gewerkschaften. Andererseits wurde auch deutlich, dass in Rußland und Polen, aber auch in den anderen Ländern in Mittel- und Osteuropas sehr unterschiedliche, länderspezifische Muster entstanden sind. Dem müssen sowohl die künftige Forschung als auch die Managementpraxis stärker Rechnung tragen. In den Plenarreferaten am dritten Tag berichtete zunächst die stellvertretende Arbeitsministerin der Republik Bulgarien, Frau Mira Radkova, über die Beschäftigungssituation und zur Gestaltung der Beschäftigungspolitik in Bulgarien unter den Bedingungen der Transformation. Herr Errmann, Geschäftsführer der Narva B.E.L., erläuterte die Erfahrungen seines Unternehmens in der Kooperation mit Firmen in MOE-Staaten. Er konnte eine beeindruckende Bilanz erfolgreicher Zusammenarbeit u.a. mit Unternehmen in Rumänien und Tschechien vorlegen. Dabei erwiesen sich Geduld, Vertrauen in die Partner vor Ort und der Aufbau persönlicher Beziehungen als wichtige Erfolgsfaktoren.

In einer Podiumsdiskussion zu Fragen des Personalmanagements in den mittel- und osteuropäischen Reformländern diskutierten, unter Leitung von Prof. Wolfgang Mayrhofer (Wirtschaftsuniversität Wien, Österreich), Vertreter aus Rußland, Großbritannien, Polen, Bulgarien, der BRD sowie Estland über

Entwicklungstendenzen des Personalmanagements ihrer jeweiligen Länder, wobei vor allem auch auf die Auswirkungen von EU-Erweiterung, Globalisierung in Wirtschaft und Arbeit sowie von neuen Informations- und Kommunikationstechnologien auf das Personalmanagement eingegangen wurde. Dabei wurde sichtbar, dass viele Länder sich bereits im Vorgriff auf den EU-Beitritt bemühen, die entsprechenden Institutionen, Strukturen und Konzepte einzuführen, die eine schnelle Anpassung gewährleisten sollen. Zugleich gibt es jedoch auch zahlreiche Befürchtungen bei den Vertretern der MOE-Staaten, u.a. mit Blick auf eine Abwanderung qualifizierter Mitarbeiter. Vor allem von der verstärkten Nutzung des Internets sowie von den damit verbundenen neuen Organisationsformen und Vertragsbeziehungen zwischen Mitarbeitern und Firma erwarteten einige Teilnehmer der Diskussion nicht nur Auswirkungen auf die Formen der künftigen Personalarbeit, sondern auch auf die Inhalte.

In den zahlreichen Diskussionsbeiträgen der Teilnehmer des Chemnitzer Ostforums wurden vielfältige Aspekte der Personalarbeit unter Transformationsbedingungen, aber auch der Übernahme und Einführung westlicher Konzepte des Personalmanagements beleuchtet. Die Berichte bestätigen dabei, dass vor allem in Polen, aber auch in Tschechien, Estland und z.T. in Rußland relativ zügig Konzepte übernommen wurden und damit eine Anpassung an westliche Standards des Personalmanagements erfolgte. Die Berichte aus Rumänien, Bulgarien und Albanien sowie der Slowakei und der Ukraine weisen dagegen auf größere Rückstände im Anpassungsprozess hin. In den genannten Ländern sowie auch in Russland wirken sich darüber hinaus die unsicheren Bedingungen im Umfeld der Unternehmen sehr deutlich auf die Aktivitätsfelder des Personalmanagements sowie die Chancen und Möglichkeiten zu einer aktiven Gestaltung und Einflussnahme auf die Entwicklung der Humanressourcen der Betriebe aus. Die großen Joint Ventures sowie Unternehmen in westlichem Eigentum spielen eine besondere Rolle bei der Einführung entsprechender Personalmanagementkonzeptionen und –instrumente, wobei es in den Beiträgen und Diskussionen durchaus auch kritische Anmerkungen zum ethnozentrischen Vorgehen mancher westlicher Unternehmen in den mittel- und osteuropäischen Ländern gab. Parallel zu dem genannten Anpassungsprozeß sind viele osteuropäische Unternehmen zugleich mit den neuen Anforderungen konfrontiert, die sich aus der Globalisierung ergeben. Aktuelle Themen in der westlichen Diskussion zum Personalmanagement wie die Nutzung des Internets oder die Einführung von Qualitätsstandards für das Personalmanagements haben in einigen Fällen sehr schnell die Unternehmen der mittel- und osteuropäischen Länder erreicht und zu entsprechenden Reaktionen in Management und Forschung geführt. Die dabei aufgeworfenen Themen wie Personalauswahl bei Internetfirmen oder die Nutzung des Internets für die Personalarbeit wurden in entsprechenden Beiträgen skizziert.

Am 23. März wurde, nunmehr zum zweiten Mal, parallel zur wissenschaftlichen Tagung ein spezielles Praktikerprogramm durchgeführt. Dieses Programm richtete sich vor allem an Vertreter kleiner und mittelständiger Betriebe der Region. In fünf Workshops wurden Informationen über rechtliche Rahmenbedingungen im Osteuropa-Geschäft, Beratungsmöglichkeiten, finanzielle Unterstützungen, notwendige Marketingaktivitäten sowie zum Umgang mit interkulturellen Besonderheiten gegeben. Insgesamt nahmen ca. 50 Vertreter kleiner und mittelständischer Unternehmen teil. Im Arbeitskreis „Beratung und Unterstützung von Unternehmen in Osteuropa“ wurden u.a. Hinweise zu Investitionsmöglichkeiten in Weißrußland, Möglichkeiten sächsisch-tschechischer Wirtschaftskooperationen sowie ein Erfahrungsbericht aus Bulgarien gegeben. Der Arbeitskreis „Marketing und Vertriebsaspekte in Osteuropa“ hatte neben allgemeinen Fragen des veränderten Marketings bei Geschäften mit Staaten in Mittel- und Osteuropa, insbesondere Marketing- und Vertriebsaspekte des russischen Marktes, zum Inhalt. Auf die Probleme von Geschäftspartnerschaften von Vertretern unterschiedlicher Kulturkreise fokussierte der Arbeitskreis „Interkulturelle Wirtschaftskommunikation zwischen Ost und West“. Dabei wurden verschiedenen Möglichkeiten aufgezeigt, mit interkulturellen Problemen umzugehen und diese zu lösen. Im Arbeitskreis „Finanzielle Aspekte des Osteuropageschäfts“ wurde zu Finanzierungsmöglichkeiten in Mittel- und Osteuropa auf der Grundlage bestehenden Hermes Deckungsmöglichkeiten und auf Basis einer Besicherung durch die EBRD referiert. Abschließend wurden im Arbeitskreis „Chemnitz als Wirtschaftsstandort“ Kompetenzen und Potentiale der Wirtschaftsregion sowie Ansätze für Kooperation und Netzwerke im EU-Grenzraum Sachsen dargestellt. Die rege Teilnahme zeigte, dass das Angebot den Bedürfnissen kleiner und mittelständischer Firmen entgegenkommt, konzentriert Informationen zu den verschiedenen Aspekten des Osteuropageschäftes zu erhalten.

Beachtung verdient auch die Verleihung des Commerzbank-Preises 2000 der TU Chemnitz für Arbeiten von Studenten und Nachwuchswissenschaftlern zum Thema „Integration der Transformationsstaaten Ost- und Südosteuropas“. Der Preis wird jährlich verliehen und soll einen Anreiz darstellen, sich stärker mit Fragen der Entwicklung in Mittel- und Osteuropa zu beschäftigen. In diesem Jahr wurden drei Dissertationen, eine Diplomarbeit und zwei studentische Seminararbeiten ausgezeichnet.

Für die Unterstützung der Veranstaltung gilt ein besonderer Dank den zahlreichen Sponsoren und Förderern, insbesondere der Friedrich-Ebert-Stiftung, der Gemeinnützigen Hertie Stiftung, der Deutschen Forschungsgemeinschaft, der Technischen Universität Chemnitz, dem Sächsischen Ministerium für Wissenschaft und Kunst, der Marga und Kurt Möllgaard Stiftung, der Wandel & Goltermann Stiftung, der Sparkasse Chemnitz, der Stadt Chemnitz, der Gesellschaft der Freunde der Technischen Universität Chemnitz, der TEQ Technologietransfer & Qualitätssicherung

GmbH, der Volkswagen Sachsen GmbH und der Einsiedler Brauhaus GmbH. Sie haben es ermöglicht, dass erneut eine hochwertige Veranstaltung realisiert werden konnte, die sich würdig in die Reihe der Ostforen einreicht und hilft, die Rolle der Technischen Universität Chemnitz als Drehscheibe der Ost-West-Beziehungen weiter zu vertiefen.

Rainhart Lang und Ingo Winkler, Technische Universität Chemnitz

Vth Chemnitz East Forum
„Human Resource Management in Transition“
21 - 23 March 2001
Renaissance Hotel Chemnitz

At the Vth Chemnitz East Forum which took place on March 21 – 23 at Chemnitz (Germany) about 115 Scientists and Firm representatives from 17 countries came together. The conference under the auspices of Wolfgang Thierse, president of the German bundestag, dealt with questions of Human Resource Management within the central and east European countries. Participants took part in 14 workshop session with more than 40 paper presentations.

The topic „Human Resource Management in Transition“ addressed different aspects of the changing conditions of personnel management and leadership within enterprises of Central and Eastern Europe. Very often these firms just copy western concepts. However, these concepts are not firm specific and have to be adapted and linked to traditional “socialist” methods of work and management, elements of the national culture as well as to specific experiences with transformation. Moreover have western firms to take into account different national conditions when doing business in Central and Eastern Europe.

Starting from this basic problems the conference dealt with the following specific aspects:

- What kind of strategic role have HR managers to play when firms are involved in fundamental transition processes of societies?
- In what direction develops the relation between managers and staff and what amount of influence do unions have in times of fundamental change? Are there special tasks and problems for work force representatives?
- What kinds of necessary staff reductions are used and which role does personnel development play?
- How efficient can a HR-management be which is itself part of transition? Are there new behavioural patterns?
- Which roles do expatriates play and how useful are western concepts and instruments of management for coping with transition processes in HRM?

- What are the contributions of HRM to organisational development and cultural change within firms in CEE?
- Does the upcoming membership in the European Union of some central and east European countries have influences on HRM within the countries?
- What new challenges for HRM in East and West are there because of new information and communication technologies?

The discussions of these issues was framed by plenary presentations of Prof Robert House (The Wharton School, University of Pennsylvania, USA) on „Key Findings from the GLOBE Research Program: A 62 Nation Study of the Effects of National Cultures on Leadership and Organizational Culture and Practices.“, Prof Aleksy Poczowski (Business University Krakow, Poland) on „Facing old traditions and new challenges - Human resource management in central and eastern Europe“ as well as Prof Akihiro Ishikawa (Chuo University, Japan) on „Who are isolated at the workplace in transformation?“ and Prof Igor Gurkov (Higher School of Economics, Moscow, Russia) on „Mapping HRM in Russia: The Results of Repeated Surveys of CEOs“. The presentations show on the one hand, that there are common patterns of leadership and HRM within central and east European countries. House as well as Ishikawa found in their studies similar patters of strong group orientations with rather authority oriented and patriarchal leadership styles. They showed the existence of some kind of double identification with both management and unions. On the other hand the plenary presentations showed that Russia and Poland as well as other CEE countries have different transformational patterns. Particularly these differences should be focus of future research as well as management practise. On the third day the Vice-Minister of Labour of the Republic of Bulgaria, Mira Radkova, spoke about the current employment situation and the employment policy in Bulgaria under the conditions of transformation. Günter Errmann, CEO of Narva B.E.L., gave interesting insights into his experiences of co-operation with east European firms. He showed an impressive balance of successful collaboration with Romanian and Czech firms, among others. In his opinion patience, trust and personal relationships are the most important success factors.

Within a panel discussion on HRM in Transition, which was headed by Prof Wolfgang Mayrhofer (Vienna Business University, Austria), participants from Russia, Great Britain, Poland, Bulgaria, the FRG and Estonia spoke about tendencies of HRM within their countries. In this relationship issues like impacts associated with an accession to EU, globalising of business processes, and new information and communication technologies were addressed. The discussion showed that a lot of central and east European countries try to introduce institutions, structures, and concepts necessary for an EU-membership, in preparation of an accession. These measures should ensure a fast conformation. However, at same time the participants of the discussions mentioned numerous problems e.g. looking on possible migration tendencies of

qualified work force. Regarding the increased use of the internet and new organisational forms and contract relations between the firm and its staff the participants expected impacts on forms and contents of future personnel management.

The presentations within the workshop sessions dealt with numerous aspects of HRM in Transition including the adoption of western concepts. Particularly, Poland, the Czech Republic, Estonia and partly Russia have quickly taken over such concepts and thus adopted to western standards. In contrast reports from Romania, Bulgaria, Albania, Slovakia and from the Ukraine indicated an arrear in the process of adoption. Moreover in these countries as well as partly in Russia the unstable conditions for enterprises have clear impact on personnel management activities. Additionally these conditions influence chances and opportunities of firms to actively develop their human resources. Large joint ventures as well as enterprises in western ownership play a key role with the implementation of appropriate conceptions and instruments of personnel management. However, the discussions also offered critical statements regarding the ethnocentric behaviour of some western firms. Additionally to the process of adoption a lot of CEE countries are facing new requirements associated with globalisation. Current topics of western HRM-discussions have also reached the firms in CEE countries and lead to analogous responses in management practise and research. The workshop presentation particularly addressed the topics of personnel recruitment within internet firms and the use of the internet for personnel management.

On march 23 a special program for company representatives was conducted which took place in parallel of the conference. It was the second time such a program was offered to about 50 representatives of regional small and medium sized firms. Within workshop sessions experts gave information about opportunities of consulting and promotion, financial as well as marketing aspects of East European business, and cross-cultural conflicts within East-West co-operations. Additionally a discussion on Chemnitz as business location took place. Within the workshop "Consulting and Promotion" the participants got information on possibilities for capital investment in the Republic of Belarus as well as opportunities of business co-operation between Saxony and the Czech Republic. Also there was an interesting consulting report from Bulgaria. The workshop "Marketing and Distribution in Central and Eastern Europe" dealt on the one hand with general aspects of the changing marketing conditions in CEE countries and on the other hand with particular conditions of the Russian market. The workshop "Intercultural Business Communication" addressed problems of business collaboration between different cultures. Particularly the focus was on opportunities to deal with such problems. Within the workshop "Financial Aspects of East European Business" financial experts spoke about possibilities to finance commercial operations with firms in Central and Eastern Europe using safeguard offered by the government and private banks. The

discussion on Chemnitz as business location dealt with potentials of the location as well as competences of the regional work force. Moreover a project on networks between German and Czech firms was presented. The brisk participation showed that a lot of small and medium sized enterprises are looking for information on doing business in Central and Eastern Europe and that the offered programs has met their needs.

During the conference the TU Chemnitz Commerzbank-Price 2001 for the „Integration of the Transformational Countries in Eastern and South-Eastern Europe“ was awarded. This annual price should stimulate students and young scholars to do scientific works on developments in Central and Eastern Europe.

We would like to thank the numerous supporters of the Vth Chemnitz East Forum, particularly the Friedrich-Ebert-Foundation, the Hertie Foundation, the Deutsche Forschungsgemeinschaft, the Chemnitz University of Technology, the Saxony Ministry of Science and Art, the Marga and Kurt Möllgaard Foundation, the Wandel & Goltermann Foundation, the Sparkasse Chemnitz, the City of Chemnitz, the Association of the friends of Chemnitz University of Technology, TEQ Technologietransfer & Qualitätssicherung GmbH, Volkswagen Sachsen GmbH and Einsiedler Brauhaus GmbH. With their support a conference of high quality could be realised which emphasizes the role of the Chemnitz University of Technology as an active interface of East West relationships.

Rainhart Lang and Ingo Winkler, Chemnitz University of Technology, Chair of Organisation Studies, Email: ingo.winkler@wirtschaft.tu-chemnitz.de



Research

The Characteristics of small business in Macedonia – A Research Note

*Bobek Suklev**

Introduction

The scope of the management of small businesses is a subject of permanent study and research. It is an area of ongoing challenge and interest for the students and the researchers. The increased interest is initiated by the growth in the number of small businesses, regardless of the mortality rate in the first, or the first five years of founding; the opportunities for new employment (self-employment, employment of the family members and other people); changes in the curriculum and syllabus of the courses at the faculties of economics and at the universities; the government support of the initiative for the foundation of small business firms; the positive climate created by the successful small businesses; and the unique way of operation of the management in those businesses, as opposed to the management in the large companies.

Small businesses in Macedonia

Considering the facts mentioned above, the elaboration of small business management would start with the definition of small business. There is no generally accepted definition in the United States (The research and policy 1947; Steinhoff 1988; Aldag & Stearns 1987; Longenecker, Moore & Petty 2000; Kuratko & Hodgetts 2001). Regardless of the contents of any definition, the data shows that more than 99% of 21,5 million businesses in United States are small companies (small business firms) that employ from few to 1000

* Bobek Suklev is a Dean at the Faculty of Economics, University “Ss. Cyril and Methodius” - Skopje and at the same time full-time professor of Management, Small Business Management and Business Planning. He received his Ph.D. in business forecasting from the Faculty of Economics, University “Ss. Cyril and Methodius”- Skopje. He is author of 18 textbooks and more than 120 articles have been published in several domestic and foreign journals. His interest covers the areas of planning in small business companies, management in small and large companies, companies’ short-term planning and strategic management.

employees... that the new jobs created by small business are more than those created by the large companies. In the last ten years there were 20 million new jobs created by small business, compared to net lost jobs (Aldag & Stearns 1987).

There is no generally accepted definition of small business in the European Union, either (Burns & Dewhurst 1986). For instance, in France, small business is usually defined according to the number of the employees; in Italy the definition is based on criteria such as the number of employees, capital turnover, fixed assets, market share etc.; there is still no clear definition of a small company in Germany. The most used base in defining small business is the number of the employees and the capital turnover.

Using the examples of the statistical definitions of small business in the three largest countries in the European Union mentioned above, Germany, France and Italy, it can be remarked that there is no consistency in the international statistics on small companies. Even though there are attempts of standardization, the statistical problem remains unsolved. According to the statistical data it can be concluded that small companies comprise over 98 % of all companies in the European Union countries.

The domestic literature on small business gives us different criteria on classification, such as: number of employees, fixed assets, income per year and total operating assets. Criteria such as: invested capital, capital turnover, salary and accounting balance, are used very sporadically. Some of the criteria mentioned above are used in the following definitions.

According to the Law on transformation of the enterprises with social capital , Article 12, the small company is the one that satisfies at least two of the following criteria:

- a) The average number of employees based on the operating hours per year is not larger than 50 employees;
- b) The average income is less than 8.000 average monthly salaries (gross) per employee in the economy of the Republic of Macedonia; and
- c) The average value of the operating assets (at the beginning and at the end of the year) is less than 6.000 average monthly salaries (gross) per employee in the economy of the Republic of Macedonia.

According to the Law on accounting, Article 4 (Official Gazette of the Republic of Macedonia N^o. 7/93), a small company is one that in each of the last two accounting years, i.e. in first year of operation, met at least two of the following criteria:

- a) The average number of employees based on hours at work is up to 50 employees;

- b) The average income is less than 8.000 average monthly salaries (gross) per employee in the economy of the Republic of Macedonia; and
- c) The average value of the assets (at the beginning and at the end of the fiscal year) is less than 6.000 average (gross) monthly salaries per employee in the economy of the Republic of Macedonia.

The above-mentioned approaches in defining the small company show the attempt to determine size according to the number of the employees, income per year or the operating assets. The quantitative criteria for determining the economic power of small business are dominating the previous definitions. There are no qualitative criteria to clarify the character of the operation of small business, such as: independence of the management, the market where it operates, the market share, the size from the industry viewpoint, sales income, ownership etc.

Considering the qualitative and quantitative criteria, small business firm is defined as an enterprise where the ownership and the management are independent, one that does not dominate the area where it operates, and that has employed less than 50 employees.

Research Methodology

The intention of this research is to determine whether the small companies in the transition economy, such as the Macedonian, have the known characteristics of small companies in the developed market economies. The information was gathered by use of the qualitative method applied in partial research: direct structured interview. The empirical research was conducted by a questionnaire that was created to enable definition of the basic characteristics of small business firms. There were formulated a few questions for each basic characteristic. The empirical research was done with 213 randomly selected small companies. The respondents were the owners of small companies. The research was performed in the middle of 2000, over a four months' period.

Findings

There are opportunities for the establishment and operation of small businesses in all the areas of the economy. Small business firms can be found in each economy. In general, the scope of operation of small business firms is similar to the one of large companies. Anyway, the small companies show more interest in certain areas in the economy, than in the others. *“The areas of operation of the small companies”* can be listed as: production, trade, services, building and construction, etc. The results of the survey on the small companies in the areas of establishing a business are given in the table below.

The basic characteristics of small companies is that they select trading as the most dominant area to start small business, in 88 of the companies in the survey, services were selected in 80, production in 37, and the last area is building and construction represented only by 8 small business firms.

Table 1: Area of operation of small business

Area of business	N° of small companies	Percentage
Building and construction	8	3,70
Production	37	17,30
Trading	88	41,30
Services	80	37,70
Total:	213	100.00

The founding of own small business is a complex idea that seeks answers to few questions, such as: 1) what are the possible ways to start small business? 2) What are the reasons to start small business? and 3) what are the general strengths/advantages and weaknesses of the establishment of small business?

Regarding the first question, there are four possible “*ways to establish small business*” (Hodgetts & Kuratko 1986). The two most general approaches to start a business are: buying the existing company and establishing a new company. The third way to start an own business is to inherit the business from the family, and the fourth way is to become a franchisee. The results of the survey on the possible ways to start small business are given in the table below.

Table 2: Ways to start small business

Ways to start	N° of companies	Percentage
Buying the existing company	6	2,80
Establishing a new company	176	82,60
Family business	23	10,80
Becoming a franchisee	8	3,80
Total:	213	100,00

The characteristics of the small companies is that the most used way to start an own business is through establishing a new company, followed by the family business, becoming a franchisee, and buying the existing company, at the end.

Regarding the second question, we should point out that the idea to start the business, for the owners-managers of small business firms, is initiated by different reasons. Besides personal values that the owner has to have for small business to succeed, there are other “*reasons for the success of small business*” (Ames & Wellsfry 1983; L.Megginson, Byrd, Scott & C.Megginson 1994; Kelly & Lawler 1961). The results of empirical research on the possible reasons for the success of small business are given in the table below.

According to the results of the empirical research, it can be concluded that the owners of small business firms consider the quality of their product/service, experience in the operation of the business, hard working, personal characteristics of the owner, business knowledge, motivation, communication, etc., as main reasons for success.

The failure of the small company can be discontinuity and failure as a result of formal and informal reasons (L.Megginson, Byrd, Scott & C.Megginson 1994). "*The reasons for small business' failure*" can be related to the owner, management, accounting, as well as economic and financial reasons (Larson & Clute 1979; Business Failure Records-1993). The most often listed reasons for failure are the following: lack of experience, lack of finances, inconvenient location, poor inventory management, non-planned growth, too much capital engaged in fixed assets, etc.

Table 3: Reasons for success of the business

Reasons for success	N° of responses	Percentage
The quality of the product/service	57	14,72
Experience in operation	51	13,18
Hard working	38	9,82
Personal characteristics of the owner	28	7,24
Working discipline	22	5,68
Good customers' relations	21	5,43
Business knowledge	20	5,17
Motivation	15	3,88
Communication	15	3,88
Low prices	15	3,88
Good location	13	3,40
Following trends	12	3,10
Adequate marketing policy	11	2,84
Good organization	10	2,58
Good relations with the suppliers	6	1,55
Innovation and entrepreneurship	5	1,29
Other	48	12,41
Total (of 213 small companies)	387	100,00

The data given in Table 4 show that the main reason for failure is lack of finances (16,4%), followed by excessive capital invested in fixed assets (16%), unfair competition (9,8%), irregular collection of the receivables (8%), lack of experience in doing business (6,6%), lack of management experience (6,1%), inconvenient location (5,6%), poor inventory management (4,7%), interests rates (2%), inability to plan and implement the plan (1,4%) etc.

The managers of small business firms face specific problems regarding low sales, taxation, interest rates, competition from large companies (Aldag & Stearns 1987; Gaedeke & Tootelian 1985; Kuehn 1971). The problems can be grouped as those related to founding and beginning the business and those related to the operation of the companies. *'The problems that small business is facing the most, when starting its operation'* are given in table 5 below. The most important problems are the following: lack of initial capital, complex legal regulations, location, lack of experience, credit/loan opportunities, lack of skilled management people, obtaining buyers' confidence, high costs, problems with the suppliers, etc.

Table 4 Reasons for small business' failure

Reasons for failure	N ^o	Percentage
Lack of finances	35	16,40
Too much capital in fixed assets	34	16,00
Unfair competition	21	9,80
Irregular collection of receivables	17	8,00
Inexperience	14	6,60
Inexperience in management	13	6,10
Inconvenient location	12	5,60
Inadequate inventories	10	4,70
Environment	7	3,30
Weak purchasing power of the population	6	2,80
High taxes and violation of the legal regulations	5	2,30
Low quality of goods and services	5	2,30
Insufficient credit and high interest rates	4	2,00
Insufficient demand/orders	4	2,00
Inability to plan and implement the plan	3	1,40
Inability to enter foreign markets	3	1,40
Lack of confidence in the employees	2	0,90
Inconsistent demand	2	0,90
Insufficient information	1	0,50
Other	15	7,00
Total:	213	100,00

Small business firms are important for each economy because of the opportunities for new job openings, application of capital, competition increase, innovation, the economic, social and entrepreneurs' perspective (Gaedeke & Tootelian 1985). The advantages of small business firms as opposed to the large ones are shown by the following cases: when a new product should be tested, when the market is relatively small, when the personal presence of the owner is

required, when personal services are dominant, when direct monitoring over employees is required (Steinhoff 1978).

As special '*advantages of small business*' we can identify: flexibility, easier control, personal satisfaction, lower risk of decisions, opportunity for higher earnings, innovation, employment opportunities, etc. given in the table below.

Based on the respondents' opinion, the most significant opportunity is flexibility (ranked first), direct contacts with the clients are ranked second, independence and easier control are ranked third, followed by the use of profit as salary, lower costs, easy decision-making, easy to start operation, short communication channels, employment opportunity, personal satisfaction, advantages vis-à-vis competition etc.

Table 5 *Problems in starting the business*

	N ^o of responses	Percentage
Lack of initial capital	73	26,74
Complex legal regulations and inefficient state regulation	47	17,22
Location	33	12,10
Lack of experience	16	5,86
Credit / loan opportunities	12	4,40
Equipment supply and technical/technological problems	11	4,10
Lack of skilled management people	9	3,30
Obtaining buyers' confidence	9	3,30
High costs	6	2,20
Problems with the suppliers	5	1,83
Risk in operating	4	1,45
No problems	37	13,55
Other problems	11	4,10
Total:	273	100.00

In the empirical research the '*strengths of small business regarding the competition*' have special place and meaning. According to the research, they are the following: good quality of the product/service, low prices, good location, professional/ skilled business knowledge, quick service, deferred payments (selling on credit), image, meeting deadlines, etc. The results are shown in table 7.

The general characteristics drawn from the research is the marketing orientation of small business firms shown through the quality of the product/service (the 1st ranked strength) and the price policy (the 2nd ranked strength). It is interesting to mention the contents of the strength marked as '**other**' which covers the following: planned growth, low number of employees, operation with brands,

meeting the needs of the customers, continuity in operation, ethical behavior, non-stop operation, cooperation with foreign companies, consignment sales, high-quality raw materials, attendance at seminars around the world, avoidance of negligent low- quality operation.

Besides the strengths, we can state the weaknesses of small business as well: lack of effective management, too many hours hard work per day or per week, lack of working capital, lack of specialization, financing risk, etc. The empirical research is paying special attention to the weakness *“too many hours hard work per day or per week”* (L.Megginson, Byrd, Scott & C.Megginson 1994). Very often the owner is the one that comes first to work and leaves the premises the last. He/she cannot get ill or take a couple of days off. The owners of small business firms spend long hours at work. It is due to the fact that the owners want to do all the things and tasks by themselves. On the other hand, the owners are not ready to entrust some of their responsibilities to their subordinates.

Table 6: Advantages of small business

Advantages	N° of responses	Percentage
Flexibility	42	19,72
Direct contacts with customers	23	10,8
Independence	17	7,98
Easier control	17	7,98
Use of profit as salary	15	7,04
Lower costs	14	6,57
Simple and easy decision making	14	6,57
Easy to start operation	12	5,63
Direct contacts with employees	12	5,63
Direct contacts with suppliers	9	4,23
Short channels of communication	4	1,88
Employment opportunities	3	1,41
Innovation	3	1,41
Minimal legal limitations	3	1,41
Lower initial capital	3	1,41
Personal satisfaction	3	1,41
Quick and risky decisions	3	1,41
Opportunity for higher earnings	2	0,94
Other	14	6,57
Total:	213	100,00

It can be seen from the data given in table 8, that more than half or 60,4% of new owners spend at work more than 60 hours per week. More than $\frac{3}{4}$ of the

new owners spend at work more than 50 hours per week. It is good to be your own manager and to have use of the profit as salary, but one has to work very hard.

Table 7 The strengths of small business vis-à-vis competition

Strengths	N° of responses	Percentage
Good quality product/service	82	25,15
Low or differential prices	39	11,96
Location	28	8,59
Professional/ skilled business knowledge	18	5,52
Wide assortment	13	3,99
Quick service	13	3,99
Selling on credit	10	3,07
Kindness to customers	10	3,07
Communication skills	10	3,07
Experience	10	3,07
Innovation	9	2,76
Technical equipment	8	2,45
Company image	8	2,45
Meeting deadlines	7	2,15
Permanence of buyers	6	1,84
Offering products that enter the market for the 1 st time	6	1,84
Honesty	6	1,84
Tradition	5	1,53
Operation in accordance with legal regulations	4	1,23
Organizational structure	3	0,92
Accurate accounting	3	0,92
Uniqueness of the products/services	3	0,92
Fair relations	3	0,92
Timely payment of liabilities to the state	2	0,61
Using foreign experience	2	0,61
Inconsistent competition	2	0,61
Other	16	4,91
Total:	326	100,00

Conclusion

The results of the research showed the fact that the dominant area to start a small business is trading. The official statistical data for the state confirm that of 31.682 small companies in 1988, 17.181 or 54,2% were operating in the area of

trade ; 13,3% were small business firms operating in industry; 6,8% were offering financial services; 6,4% operated in building and construction etc.

The most used way to start a small business is to establish one, and then inheriting the family business, franchising or buying alternatives. The personal values of the owner: experience, hard work, working discipline, personal characteristics, customer relations, business knowledge, communication, etc. are stated as reasons for success of small business. The reasons for failure are financial, economic, inexperience in management, non-planning, unfair competition, irregular collection of receivables, etc. A particular weakness of the owner of small business is the hard work expressed as working too many hours per week.

Table 8 Owners' hours at work / per week

Hours at work / per week	Percentage
Above 100	6,00
90 – 99	3,30
80 – 89	8,40
70 – 79	17,80
60 – 69	24,90
50 – 59	15,00
Below 50	20,60
undetermined	3,70

References

- Ramon J.Aldag, Thimothy M.Stearns: Management, South-Western publishing company, Cincinnati, 1987, p.789, 803
- Michael D. Ames, Norval L. Wellsfry: Small business management, West publishing company, St. Paul, 1983 p.8-9
- Paul Burns, Jim Dewhurst: Small business in Europe, Macmillan Education Limited, London, 1986, p.22, 101, 179
- Paul Burns, Jim Dewhurst: Small business and entrepreneurship, sec. ed., Macmillan press Ltd., London, 1996, p. 5
- Business Failure Record - 1993, The Dun & Bradstreet Corporation, New York, 1994, p. 66
- Jim Dewhurst, Paul Burns: *Small Business Management*, 3rd ed., The Macmillan press Ltd., London, 1993, p. 6
- Ralph M. Gaedeke, Dennis H. Tootelian: *Small business management*, 2nd ed., Scott, Foresman and company, Glenview, Illinois, 1985, p. 9 – 14, 28-31.
- Richard M. Hodgetts, Donald F. Kuratko: *Effective small business management*, 2nd ed., Academic Press College Division, New York, 1986, p. 7-10
- Pearce C. Kelly, Kenneth Lawler: *How to organize and operate small business*, 3rd ed., Prentice – Hall, Englewood Cliffs, New Jersey, 1961, p. 72

- W. H. Kuehn: "*The pitfalls in managing a small business*", The Dun & Bradstreet, Inc., New York, 1971 p.17
- Donald F. Kuratko, Richard M. Hodgetts: *Entrepreneurship. A contemporary approach*, Harcourt College Publishers, Fort Worth, 2001, p.4.
- Henry Kyambalesa: *Success in managing a small business*, Averbury, Ashgate publishing limited, Aldershot, 1994, p. 72-7352
- Carl M. Larson. Ronald C. Clute: "The failure syndrome", *American journal of small business*, Vol. IV, No. 2, October, 1979, p.40
- Justin G. Longenecker, Carlos W. Moore, J. William Petty: *Small business management. An Entrepreneurial emphasis*, 11th edition, South-Western College Publishing, Cincinnati, 2000, p. 3;
- William L. Megginson, Mary Jane Byrd, Charles R. Scott, Leon C. Megginson: *Small business management. An entrepreneurs guide to success*, Irwin, Burr Ridge, Illinois, 1994, p. 22,52, failure, p. 52
- Dan Steinhoff: *Small business management fundamentals*, 2nd ed., McGraw-Hill Book Company, New York, 1988, p.6-7
- The research and policy committee for economic development*. Meeting the special problems of small business (Policy of the Committee for Economic Development), New York, 1947, p.4



Konferenzankündigungen/Conference Announcements

**TEN YEARS OF ECONOMIC TRANSFORMATION
Experiences and Future Challenges
30-31 August 2001, Lappeenranta, Finland**

Some ten years have passed since the dissolution of the Soviet Union. The disintegration accelerated the economic reform in the post-socialist countries and gave a momentum for intensifying the integration of the transition societies into the world economy and deepening their relations with the European Union. This top-level congress deals with the experiences gained during the past ten years, and aims at offering new ideas in solving future challenges.

Homepage: www.lut.fi/tuta/rgreeb

Marika Varmavuo (Email: Marika.Varmavuo@lut.fi)

The Research Group for Russian and East European Business

Lappeenranta University of Technology

P.O. Box 20, FIN-53 851 Lappeenranta, Finland



**WORKSHOP ON COMPLEXITY AND ORGANIZATION
"Thermodynamics of Social and Economic Networks"**

Where : Brussels, Belgium
When : September 28-29, 2001
Web site : <http://www.eiasm.be/3WC&O.html>



WORKSHOP ON REFRAMING ORGANISATIONAL PERFORMANCE

Where : Brussels, Belgium
When : November 8-9, 2001
Web site : <http://www.eiasm.be/WsPerformance.html>
(this web site will be available on Monday)



**RENT XVRESEARCH IN ENTREPRENEURSHIP AND SMALL
BUSINESS**

Where : Turku, Finland
When : November 22-23, 2001
Web site : <http://www.eiasm.be/ORI-RentXV.html>



WORKSHOP ON TRUST WITHIN & BETWEEN ORGANISATIONS

Where : Amsterdam, the Netherlands
When : November 30 - December 1, 2001
Web site : <http://www.eiasm.be/WStrust.html>



WORKSHOP ON E-BUSINESS & MANAGEMENT CONTROL

Where : Brussels, Belgium
When : December 13-14, 2001
Web site : <http://www.eiasm.be/WSe-bus.html>



**WORKSHOP ON A NEW AGENDA FOR ORGANIZATION THEORY
IN THE 21st CENTURY : From Theoretical Diversity to Theories of
Diversity ?**

Where : Brussels, Belgium
When : February 7-8, 2002
Web site : <http://www.eiasm.be/WSdiversity.html>



European Institute for Advanced Studies in Management
Doctoral Seminar of Decision Making and Decision Support in
Digital Networked Environments
Brussels, June 25-29, 2001

Content

The topic of the course is managerial decision making (especially in marketing) and the improvement of decision making by means of decision support systems. Special attention will be paid to decision making in digital environments (incl. the internet). The course will deal with how (marketing) managers make decisions and provide a contemporary treatment of the tools that are available for support. For this purpose state of the art insights from modeling, optimization, and information and knowledge processing technologies will be dealt with.

Attention will be given to both, data-driven and knowledge driven approaches. Emphasis will be put on research issues, including new research topics that have emerged because of internet and e-commerce.

Who should attend?

The primary target group of the course is: PhD students in marketing/management, but the course is open to others who are interested in research in marketing/management decision making. Since the course will be taught in the week before the Marketing Science Conference at a location not too far from Mainz, we hope that we will have a mixed group of both European and participants from other parts of the world.

Contact

Ms. Christiane MERCKAERT - DUCHAU
EDEN Manager
EIASM - Rue d'Egmont 13 – 1000 Brussels
Tel. 00 32 2 511 91 16 - Fax : 00 32 2 512 19 29
Email : merckaert@eiasm.be