

SMES FACING INTERNATIONALISATION. DEVELOPING COMPETENCES – AN OBJECTIVE ANALYSIS

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Keywords: Internationalisation, Competences, Performances, Knowledge

Abstract: One of the present challenges that SMEs meet is market globalization, a trend which impels enterprises to adopt management strategies that can ensure their competitiveness at international level. In the context of internalisation, competence management is a key success factor and a strategic instrument of major importance. In order to be reactive and innovative, enterprises have to identify and develop human competences which suit their short, medium and long-term needs.

International activities require additional competences on behalf of the human resources who are the most effective and efficient production factors of a company. A good command of foreign languages, knowledge of international markets, rules and regulations, cross-cultural awareness are all additional competences. The entrepreneur's personality, experience, behavior and character are major factors that contribute to the success of the enterprise.

SMEs represent a significant advantage for the economic and social life both at the local, national and international level.

The new emerging economy is characterized by an easier access to information due to advances in information creation, storage, usage and sharing technologies, as well as by a workforce demand for knowledge workers; it is an economy in which the enterprises assume social responsibilities and the client decides whether to accept the offer made by the enterprise or not.

This new type of economy, which is based upon knowledge, is developed by small and medium-sized enterprises, which adapt themselves remarkably well to various demands, thus providing impetus for the modern economy.

The main characteristics of these enterprises are outlined by Julien [4]:

- small size, direct contacts, informal work relationships;
- centralized organizational structure; the enterprise is run by the entrepreneur whose personality strongly influences its management.
- the training is poor and adapted to the staff and the existing equipment. The employees must have the ability to change jobs or position; the equipment must provide production flexibility and produce a wide range of products at competitive prices.
- the strategy is intuitive and slightly formal. The entrepreneur is close enough to verbally explain to their staff the changes undergone by the enterprise without devising a strategy based on formal written reports.
- the internal and external information system is simple and scarcely organized. Dialogue and direct contact are preferred to formal mechanisms.

The SMEs set-up process is heterogeneous, transient, without a definite timeline and corresponds to various motivations. Marshall [6] draws an interesting analogy between a forest and the SMEs set-up, survival and development process: "the

aggregate of enterprises can be compared to a forest where various species of different-sized trees coexist. Some trees start or stop growing, other trees die, and only a few attain a greater size. Some vegetal species coexist in symbiosis while others struggle for space to grow. Some trees live longer and reach maturity after many decades whereas others survive for just a few years. The forest changes, older trees being gradually replaced by young trees, its area increases or decreases in size according to its internal dynamics and under the influence of environmental factors, such as climate change, fire and human intervention. It takes time for a forest to achieve an ecological balance, which is always delicate, as some species cannot grow unless other species have previously colonized the soil”.

This analogy emphasizes that the evolution of SMEs depends heavily on the environment and stresses the need for company adaptation to the constraints and opportunities of the working environment.

Faced with the new challenges of the contemporary economy such as the discovery of new production methods, intense competition, rapid economic, social and political changes, companies need to improve their economic performance by increasing their competitiveness. One of the present challenges that SMEs meet is market globalization, a trend which impels enterprises to adopt management strategies that can ensure their competitiveness at international level.

The rapid evolution of knowledge, whose acquisition is facilitated by the development of new technologies, has been the engine of globalization (see figure 1).

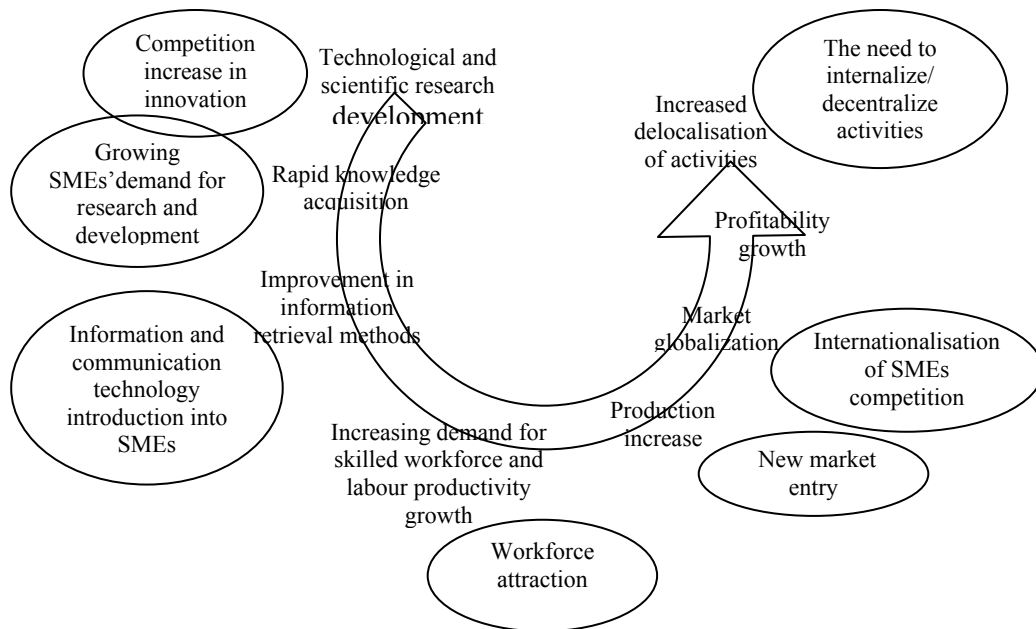


Fig.1: Technological and social changes and their effect on SMEs (adapted from Lecerf M. [5]).

There is a constant increase in the international exchange of goods and services as well as in the mobility of production factors. From the late 50s until today, customs duties have decreased significantly from 40% to 4%. This falling trend has been an

opportunity for SMEs to enter foreign markets at low costs, which favors enterprises that rely on limited financial resources.

Enterprises differ in their approach to internalisation. Lecerf's study [5], based on a survey carried out by ENSR (The European Network for SME Research [3]) in 2003, emphasizes that SMEs' main motivation to start the internationalisation process is their access to new markets. Market expansion allows the company to sell its products to new customers and generates a higher income. The access to technology, the high costs of the domestic production, the strict rules and regulations enforced by the country of issue, the access to capital and the cheap labour force are determinant factors in the internalisation of small and middle-sized enterprises, a process which takes various forms: export, external suppliers, foreign subsidiaries, etc.

As the following graph indicates, each type of internationalisation strategy has a different impact on SMEs competitiveness:

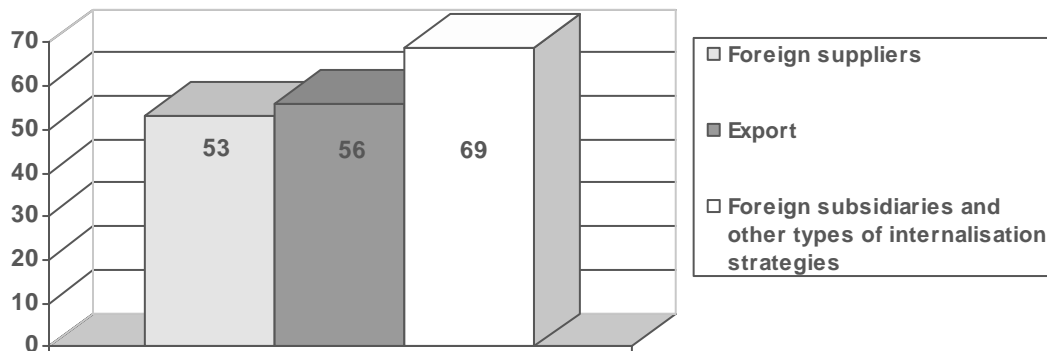


Fig. 2: Enterprise internationalisation and competitiveness improvement (adapted from Lecerf M. [5]).

We can notice that internationalisation has positive effects on enterprise competitiveness. 53% of SMEs which have foreign suppliers have improved their competitiveness. The greatest increase in competitiveness has been seen by companies operating foreign subsidiaries and adopting other types of internationalisation strategies.

There is a great diversity of SMEs whose workforce ranges from 1 to 250 employees and whose turnover fluctuates between several thousand and 50 million euros. The internationalisation of SMEs encounters different obstacles such as the high costs of the internationalisation process, the quality, characteristics and price of the products and the services provided. Around 10% of SMEs consider that human resources are a drag on internationalisation. The entrepreneurs' and employees' competences play a significant role in the successful outcome of this process.

International activities require additional competences on behalf of the human resources who are the most effective and efficient production factors of a company. A good command of foreign languages, knowledge of international markets, rules and regulations, cross-cultural awareness are all additional competences [5]. The entrepreneur's personality, experience, behaviour and character are major factors that contribute to the success of the enterprise.

Attracting qualified human resources is particularly difficult for the SMEs because of high costs and the difficulties arising during the recruitment and integration of human resources.

Human resources are a real immaterial capital that entrepreneurs must invest in early in the recruitment stage so that their employees can use the production facilities and manage the changes in their work by using their newly acquired knowledge and competences.

Thus, an enterprise is a set of competences which are organized in a three-layer architecture, which does not correspond to the formal hierarchical structure (see figure 3) [7]:

- the basic level of competences which are related to the production activity of the firm
- the intermediate level of functional competences (marketing)
- the advanced level of general competences which influence the organizational process (coordination, decision).

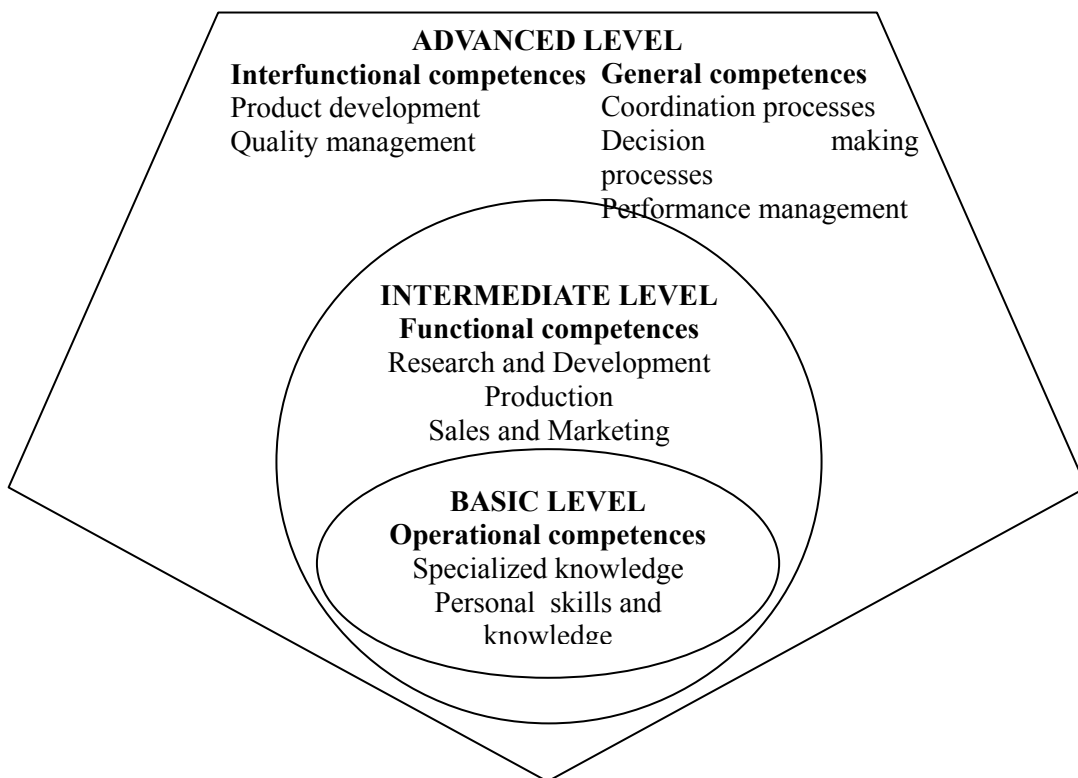


Fig. 3: The architecture of competences (adapted from Tywoniak [7]).

In the context of internalisation, competence management is a key success factor and a strategic instrument of major importance. In order to be reactive and innovative, enterprises have to identify and develop human competences which suit their short, medium and long-term needs.

Throughout time, the term ‘competence’ has been given numerous conceptual connotations. The broad range of definitions given to this concept reveals the following main characteristics that most scholars agree with [1]:

- a competence is a structure, a system which comprises both individual resources, namely knowledge, aptitudes, skills and abilities, and work environment resources, such as equipment and data, which are adequately pooled within a certain work context. A competence is the ability to select, combine and pool a whole host of resources according to a given situation.

- the competence is contextual; it has to be placed in a particular context in order to build a competence model which is relevant to the work assignment and fully operational during the various stages of the complex business activity.

- a competence is a process which allows the development of certain action strategies by pooling the resources necessary for the accomplishment of the firm's mission and objectives.

- a competence has an outcome which is related to the mission of the organization. A competence must be clearly described and formalized in accordance with a certain mission, and give employees the chance to take the decisions required to produce the expected performance.

- a competence has to be socially recognized; an accurate assessment and recognition of a competence can only be gained by having it evaluated within the working environment.

Scholars have developed a competence model (see figure 4), based on the five characteristics mentioned above, which formalizes the concept of individual competence in an attempt to improve competence management. The combination and synergy of individual competences lead to the acquisition of collective competences which combine the individuals' knowledge, aptitudes and skills with a view to achieving a certain goal.

Competence is acquired through the interaction between the employee (the actor) and the work context (the professional situation). It is a system which comprises both subjective elements, such as knowledge, behaviour, and objective elements, namely environmental factors. The employee devises their own scheme - a certain action strategy - which encompasses various processes of input selection, combination and mobilization; by meeting the requirements of work performance, they can achieve certain results which meet or not the objectives expressed in the firm's mission statement.

In the work context, the actor may be faced with situations similar to previously experienced events or he can be confronted with novel situations which require new knowledge and an original course of action. In the latter case, the employee has to produce new action plans and acquire new competences.

The development of competences is a continuous learning process which highlights the three dimensions of competence: knowledge, practices and attitudes.

The actor's knowledge, which undergoes a process of continuous refinement and generalization, facilitates the assessment of the professional situation and the development of action plans. These plans are implemented by means of practices which are adapted to each work situation by the individual who uses the existing technology to achieve the objectives of the firm's mission.

How an individual implements the action plans depends not only on the above-mentioned technological and cognitive elements, but also on the individual's attitude within the firm. Consequently, the individual's motivation, culture and personality are defining characteristics of the actor's behaviour in the working environment.

The entrepreneur uses three instruments to develop competence along its three dimensions: the development of a coherent strategy, the organization of the enterprise and the human resources motivation (see figure 5).

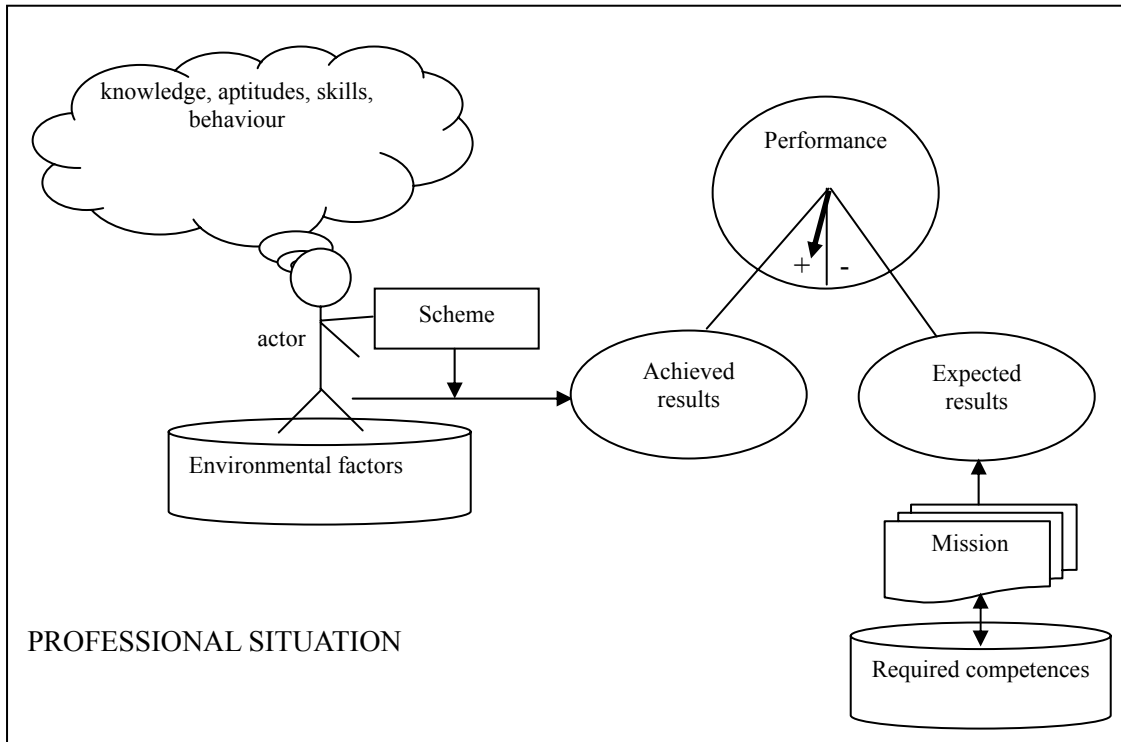


Fig. 4: The competence model (adapted from Boumane, et.al. [1]).

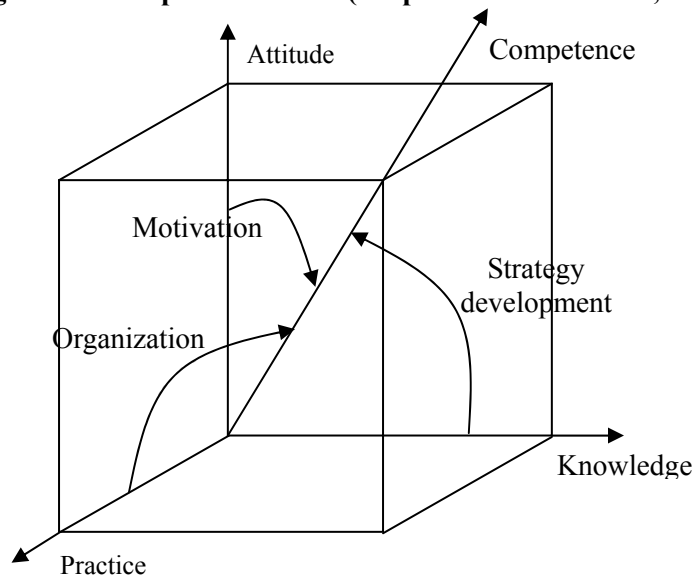


Fig. 5: Competence dimensions and management action instruments (adaptation from Durand [2]).

The entrepreneur's strategic vision and development of the firm will ensure coherent decision-making, uncertainty reduction, change management and company flexibility with regard to its influence factors. A strategy is an action instrument which is used by companies to shape their own future as well as a coherence instrument which ensures the coordination between people, departments and activities.

An organisation is a place where there is a certain division of labour, which is based on task performance, role assignment, a highly organized division despite its various and more or less definite forms. An organisation has cognitive collective facilities such as technology, methods and structures, which support the activities, performed by its members and allows them to achieve continuous improvement.

As productivity is the result of the behaviour exhibited by all the members of the organization, the most important element in the achievement of the objectives set by the strategy is their motivation. The entrepreneurs must accept the fact that individuals have different personal needs which they satisfy by accomplishing their work tasks. The entrepreneur has to provide their employees with various incentives which fulfil their needs, and to ensure that the firm's staff undergo professional training and development.

CONCLUSIONS

The environment provides SMEs with a new opportunity, namely business internalisation. In order to seize such an opportunity, the entrepreneur must show strategic competences to devise an internalisation strategy as well as operational competences to facilitate the implementation of this strategy.

The human resources, in general, and the management team, in particular, are vital elements in the organisation's output.

An important source of competitive advantage for the entrepreneurial team is provided by the staff's experience, which is an intangible asset that can only be acquired in time. Their previous technical and commercial experience minimizes the risk associated with the firm's international expansion.

A good command of a foreign language is a basic requirement for the implementation of a new project in a foreign market. It is extremely difficult for the entrepreneur to simultaneously learn a foreign language and manage a whole host of tasks which he has to undertake during the process of business internationalisation.

SMEs attitude towards internationalisation is strongly influenced by the introduction of new information and communication technology into the firm's operations and organization, which is used to adopt a strategy for the development and long-term stability of these firms.

The entrepreneur's present perception of the internalisation phenomenon is not very clear. 60% of the European entrepreneurs keep ignoring the international environment in which enterprises evolve nowadays. Despite the cultural, administrative and financial difficulties that internalisation can create, entrepreneurs must prepare themselves for the evolution of firms in a world where the boundaries between countries are blurred, and where there is a constant decrease in the number of business sectors protected from international competition and where the risks associated with a lack of international involvement are increasingly higher.

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