
SUPPORT TO SMEs THROUGH THE INTRODUCTION OF VOUCHER SYSTEM OF TRAINING AND CONSULTANCY SERVICES: A CASE OF THE HERZEGOVINA REGION

■ **Abstract:**

The small and medium enterprises, employing almost 70% of the total number of employees which clearly shows the great importance of small and medium enterprises, in Bosnia and Herzegovina small and medium enterprises should be the backbone of development or out of economic crisis, and the generator of new employment and development of the country.

However, the rate of the newly bankrupt companies is extremely high, and in terms of the global economic crisis it is even more pronounced. According to the results of the conducted research in the United States as a fundamental reason for the bankruptcy highlights the lack of knowledge of entrepreneurs and management.

Entrepreneurs and enterprises in Herzegovina, where they are confronted with certain problems often do not seek appropriate help because they do not have the financial resources to pay for this help or think that it is too expensive. Also in business there is a certain distrust of professionals and companies who offer different types consulting and professional services, without having to have to be specially trained and certified.

Based on analysis that showed the current situation in the consulting market and the needs of SMEs for consultations and certain types of training and the need for a unique database of consultants Regional Economic Development Association for Herzegovina (REDAH) has developed a system that includes consultants as accredited provider in the region of Herzegovina.

REDAH provides support to small and medium-sized enterprises through the provision of subsidies to entrepreneurs for counseling by trained and accredited consultants. In addition to consulting, REDAH also provides other support to existing and future entrepreneurs - through information, training and managing the implementation of business ideas.

The research, which will be presented in this paper will show is it and to what extent the voucher system of training and consultancy services help companies in addressing and overcoming their problems, ie. survival and development of small and medium enterprises and whether this system has helped in building the confidence of entrepreneurs in the consultants and companies that deal with training and consulting services.

■ **Keywords:**

voucher, training, consulting, small and medium enterprises, support

■ **INTRODUCTION**

In the developed market economies but also in those economies in transition, a wave of small start-up companies is coming into existence on

a daily basis. A relative share of small companies has been steadily increasing in the total number of companies, in the same way as the share of small and medium-sized companies in the total number of companies in the European Union,

with the similar statistics in the USA and other developed countries, and it revolves around 99.7%, 92.30% of which are micro enterprises, 6.53 % small enterprises and 0.95 % middle-sized enterprises. As for the total number of employees, those employed with small and medium-sized companies take up 69.73%, with 39.39% of micro enterprises employees, 17.37 % in small enterprises and 12.96 % in middle-sized enterprises.[1] The aforesaid indicators clearly show a great significance of small and middle-sized companies; as for Bosnia and Herzegovina, small and medium-sized companies should be the backbone of development or better to say a way-out of the economic crisis and new jobs and country development generator.

The analysis of the life cycle of the newly established companies showed that on average 87% of all newly formed companies survive its first year, 68% survive at least three years, and 55% survive 5 years in operation.[2]

These indicators demonstrate that the bankruptcy rate of the newly formed companies is extremely high, which is even more pronounced at the time of global economic crisis. According to the results of analysis made in the USA, the basic reason for bankruptcy was said to be a lack of knowledge with entrepreneurs and management. The needs of entrepreneurs and management for new and additional knowledge is felt at the company's inception phase, i.e. when launching the business enterprise, as well as during the business operations themselves.

When faced with a particular problem, Herzegovina-based entrepreneurs and companies very often fail to seek adequate assistance either because they do not have sufficient assets to cover the costs of such an assistance, or they think such an assistance is too expensive. Also, the entrepreneurs felt some sort of mistrust in experts companies that used to offer different kinds of consultancy or professional services without being properly trained or certified to do so.

As a result of the analysis that reflected the current situation in the consultancy market, as well as the needs of SMEs for consultancy and specific kinds of trainings, and also the need for a single database of consultants, REDAH has developed a system that includes certified consultants as service providers in the Herzegovina Region.[3]

REDAH also offers its support to small and medium-sized companies in providing the entrepreneurs with the subsidized consultancies provided by trained and certified consultants. Along with consultancy, other types of assistance are offered to the existing and future entrepreneurs - through information dissemination, trainings and guidance to business idea implementation.

■ **RESEARCH METHODOLOGY**
 ■ **Establishment of hypothesis**

A great number of small and medium-sized companies going bankrupt indicate that the entrepreneurs, when launching the business enterprise and in the course of operation, face problems they are not capable of resolving, which is even more pronounced at the time of global economic downturn and heavy struggles for market survival. At the both launching phase of their business enterprise and during its implementation, when faced with a particular problem, Herzegovina-based entrepreneurs and companies very often fail to seek adequate assistance either because they do not have sufficient assets to cover the costs of such an assistance, or they think such an assistance is too expensive. Also, the entrepreneurs felt some sort of mistrust in experts companies that used to offer different kinds of consultancy or professional services without being properly trained or certified to do so.

The specified problem determined the goals set in this research, mainly to come to understanding of the level of interest of the consultants as service providers (both individuals and companies) as well as individuals and companies as beneficiaries of this kind of services, whether the beneficiaries managed to resolve the problems they faced in their business operation, i.e. survival and development of small and medium-sized companies thanks to professional assistance rendered by the consultants and REDAH. Also, the goal of this research was to find out if this system (voucher scheme) helped build the trust of the entrepreneurs in consultants and companies offering trainings and consultancies.

The problem and goals set in this research also predetermined the hypothesis set with regard to this research, namely:

1. Beneficiaries based in Herzegovina Region managed to resolve their business problems

for which they sought assistance from consultants engaged via REDAH;

2. Voucher system helped build the trust between the consultants as service providers and companies as service beneficiaries, as well as the consultancy market development in the Herzegovina Region.

■ **Scope of research & methods of data collection**

This paper research covered 76 entrepreneurs who used and finished using the assistance services through voucher scheme, as well as 27 certified consultants as service providers. The polling questionnaire was filled out and returned by 22 of 76 companies, which makes up 30% of the total number of companies who used the services, and 17 of 27 consultants, which makes up 63% of those engaged to implement the voucher scheme. The research was carried out in the Herzegovina Region the most beneficiaries are coming from, but also the other parts of BiH the service providers were coming from, given the fact that the service providers were not restricted to the region of Herzegovina. The research was carried out in March 2010 by way of the original polling questionnaire. This research also used the existing voucher scheme project implementation data in the REDAH database.

■ **Model of data processing**

Polling questionnaire for service providers included four questions the responses to which were classified by intensity from 1 to 5 (Likert scale) and for service beneficiaries, the questionnaire included only two questions, the responses to which were also classified by intensity from 1 to 5. Polling questionnaires also included other questions as required by REDAH, which were not used for the purpose of this paper.

■ **RESEARCH RESULTS**

■ **Basic information on the voucher scheme training and consultancy implementation in the Herzegovina Region**

In March 2008, REDAH launched the implementation of its project "Voucher training and consultancy schemes for business entities". The project value was 249,800.00 EUR.

This project was financed by the Spanish International Cooperation Agency - AECD with the main goal of enhancing the competitiveness of small and medium-sized companies in the Herzegovina Region by subsidizing entrepreneurs through system of consultations offered by trained and certified consultants. In addition to consultancy, the project also provides for other forms of assistance to the existing and future entrepreneurs - through information dissemination, trainings and guidance to the business ideas implementation. The voucher scheme includes two types of subsidies:

- 100% subsidy for consultancies to the start-up companies (registered over the past two years),
- 50% subsidy for consultancies to the existing companies (being in business for more than two years from the date of registration).

Maximum subsidy amounted to 1,500 EUR.

Having in mind the general mistrust in consultancy services, REDAH wanted to set up a single database of certified consultants and consultancy firms through the "Voucher scheme of training and consultancy for business entities" project.

At the inception phase a system of procedures and rules was developed for all participants in the project, within the detailed documents developed by REDAH, Operation manual for the Voucher scheme project, Consultant Certification Guidelines, as well as the Code of Conduct and operation of consultants/service providers.

What followed was the publishing of the Public Call for engagement of the consultants/service providers in the process of consultants certification, which was open by the end of last year. Following the public call, the education and competency evaluation of the applying consultants was done by the Expert Commission composed of the renowned BiH and foreign university professors.

The regional consultancy market situation analysis launched in mid 2008 showed the need for consultancy market. This research included two groups of organizations, namely 22 municipalities of the Herzegovina Region and relevant business-focused institutions like Federal Ministry of Development, Entrepreneurship and Handicraft, Chamber of Commerce and associations and centers for entrepreneurship and employment.

This research was designed to survey the situation of small and medium-sized business, the problems faced by the entrepreneurs, consultancy market in the region and implementation of trainings for business people and their needs within the municipalities.

The analytical study for SMEs and potential entrepreneurs was designed in late 2008 and early 2009. This analysis also included the information available with all relevant institutions and stakeholders in the Herzegovina Region like cantons, municipalities, statistics agencies, employment bureaus, high-education institutions, as well as more than 200 existing and potential entrepreneurs. The research reflected the start-up companies' ideas, knowledge and skills required for successful establishment of a company and the level of development of business activities of the companies. The findings of the analysis revealed which trainings the entrepreneurs and business entities needed most, and acting in line with these findings, REDAH organized sets of trainings in the fields the business entities showed the greatest interest in and need for.

The trainings organized as workshops covered the representatives of more than 70 small and medium-sized companies.

Based on the analysis that reflected the current situation in the consultancy market and the needs of SMEs for consultations and specific types of trainings as well as the need for a single database of consultants/service providers, REDAH developed a system that included the training and certification of consultants/service providers for business entities in the Herzegovina Region.

A public call was published to consultants (natural and legal persons) which was answered by 84 potential consultants/service providers, or 33 natural persons and 49 legal persons.

Following the training session, consultants/service providers sat the exams where they were tested for specific knowledge in the field of consultancy they applied for, as well as in their understanding of the Voucher scheme and its procedures, the role of consultants in relation to the beneficiaries, as well as the Code of Conduct and work in day-to-day consultancy service provision.

When implementing the Voucher scheme, due to quite a demanding system, specific activities, wide range of actions as well as detailed and

precise procedures, REDAH designed a software for detailed monitoring of all voucher issued projects. Voucher scheme software monitors all activities, trainings, vouchers issued as well as financial flows and it contains all information on the beneficiaries and service providers. It is connected to the online database and by using the interface of the www.ric.redah.ba portal, it presents the database of all certified consultants/service providers.

■ **Data of certified service providers**

The total of 84 potential consultants/service providers responded to the public call, 33 of which are natural persons and 49 legal persons.

The total of 50 consultants/service providers, which makes up 60% of the total number of applicants, passed the exams and got certified.

The structure of the certified consultants include 15 individuals (natural persons), which makes up 30% of the total number of certified consultants, whereas the remaining 35 are legal persons or companies, which makes up 70% of the total number. 45% of the candidates-consultants have gone through the certification process as natural persons, whereas the companies dealing with the consultancy have been much more successful since 76% of them were successfully certified.

The method of certification made it possible for individuals and companies coming from other regions of Bosnia and Herzegovina to get certified as service providers, which resulted in 40% of the certified individuals outside the Herzegovina Region, with 49% of the legal persons coming from regions other than Herzegovina who got certified.

There is a total of 20 fields of consultancy services the certified consultants/service providers applied and got certified for, the fields that could help the beneficiaries, the region-based business entities. They include: Graphic Design; Marketing Planning and Research; SME Management and Organization; Business Planning; Human Resources Management and Development; Sales and Procurement Management; Technological Support (ICT); Accounting and Financial Consultancy; Taxation Consultancy; Sales and Sales Management; Quality Management; Legal Consultancy; Making Investment Plans; Manufacturing-Technological Consultancy (Wood Processing); Introduction of New Technology - CAD Design;

Web Design; Internet Marketing and Consulting; Product Development; Architect Design Services; Labor and Fire Safety.

Data of beneficiaries

On March 30, 2009, the Public call was announced to grant subsidies to business entities in the Herzegovina Region. The call remained open until February 30, 2009.

The subsequent public call for granting subsidies to the beneficiaries, Herzegovina Region-based business entities was opened in August 2009 and will remain open till the end of 2010. The total budget secured for subsidy grant in the framework of these two calls amounts to 100,000.00 EUR.

In addition to the aforesaid amount, the similar amount was covered by the beneficiaries who had their services partly subsidized and partly paid by themselves.

113 companies applied for vouchers by the end of March 2010, and REDAH carried out the diagnostic procedure with the company representatives (being adequately trained for) so that 87 vouchers have been issued so far.

Out of 87 vouchers issued, 76 of them utilized, i.e. implemented the voucher, finished the consultations and brought the required and approved service to an end, thereby resolving the issue they were engaged for.

The total of 27 consultants (out of 50 consultants successfully certified during the project) worked on and successfully carried out the consultancies or solved the issues the beneficiaries were faced with in those 76 projects.

18 of the total number of companies are small companies (21%), i.e. they employ 10-50 staff members and have a turnover up to 2 million EUR, 69 (79%) are micro companies i.e. they employ less than 10 people and have the turnover of up to 400,000 EUR, 23 of which (26%) are handicraft companies. The following fields of activities have been subsidized: manufacturing 55%, services 32%, agriculture 9% and tourism 4%.

Out of the total number of companies granted a voucher, 51 (59%) are start-up companies, whereas 36 (41%) are the existing companies. These companies received a direct assistance needed and required for proper operations and achieving their goals with regard to total sales, strategic planning, finding new clients, fostering

all company's functions as well as strategic profiling and organization.

Details of the service implementation results and the level of satisfaction

The companies who used the consultants' services through voucher system were first asked if and to what extent they managed to resolve the problem they engaged the consultant for. The research showed that 36% of the beneficiaries managed to fully resolve the problem they engaged the consultant for, 50% of them resolved a great deal of the problem, whereas 14% of them partly resolved the problem.

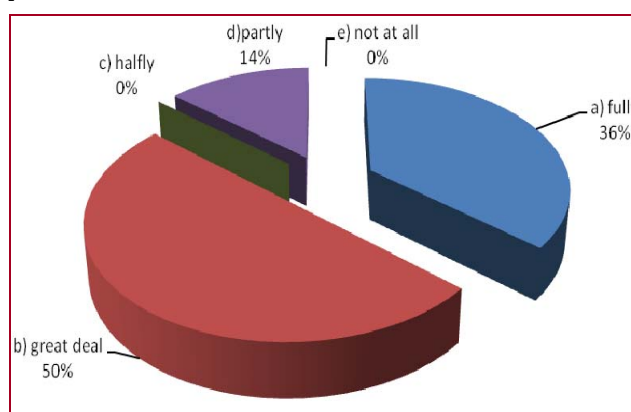


Figure 1 Level of resolution of the problem the consultants were engaged for

The second question in the polling questionnaire was aimed at finding an answer on beneficiary' satisfaction with the service rendered in view of professionalism, attitude toward the client, responsibility etc, which showed that 77% of the beneficiaries were fully satisfied with the service rendered, 18% of them were considerably satisfied, whereas 5% of them were partly satisfied.

Research findings with regard to enhancing the consultancy market building trust between service providers and service beneficiaries

In order to find out whether and to what extent the voucher system helped build the beneficiaries' trust in service providers, and consultancy market development, two questions were asked to service providers and two questions to service beneficiaries.

In addition to problem solving and satisfaction with the service which are also focused on building trust between service providers and beneficiaries, the service beneficiaries were

asked if now, once the service is rendered, they are more confident in external experts' ability to help them resolve the issues. 55% of the beneficiaries responded that now they are fully confident the external experts could help them resolve the problems, 36% of them have more trust than before, whereas 9% of them have the same opinion as before. No company thought the external experts or consultants cannot help them at all, or could help them even less than before.

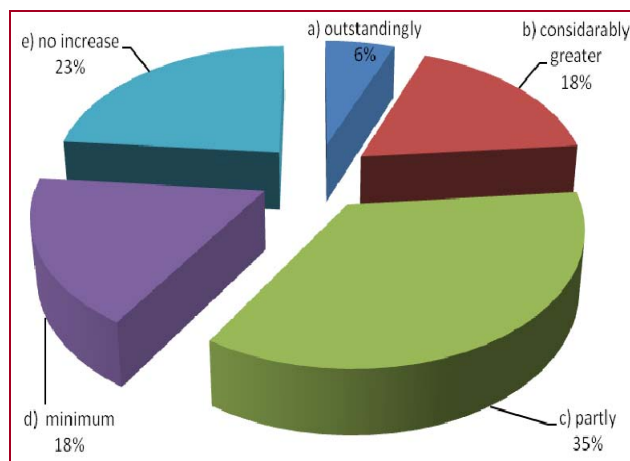


Figure 2 Increase in number of beneficiaries as a result of certification

The following question on trust building between beneficiaries and service providers was if the beneficiaries planned to engage some of the consultants through REDAH or independently if need be in the future. The research findings show that 68% of the beneficiaries would certainly engage a consultant in the future if they need to do so, whereas 32% of them responded they would probably engage a consultant again.

However, to get the full picture on whether the system helped build the trust between consultants as service providers and companies-beneficiaries, as well as the consultancy market development in the Herzegovina Region, two questions were asked to service providers too.

They were first asked if and to what extent they were contracted again by the company they helped resolve its problem as part of their engagement through REDAH. 12% of the consultants got the full-time consultancy status with the clients whom they helped resolve the problem, whereas 41% of them were engaged again more than once or a number of times. However, there is a great number of those who were never (12%) or almost never (29%) engaged

again by those whom they helped resolve the problems.

The question was aimed at getting a comprehensive answer on development of the consultancy market and benefits enjoyed by the certified consultants as a result of their certification and the fact they are included in the REDAH's list.

The question was focused on whether the number of beneficiaries increased following the certification and what was the result of holding the certified consultant license. 24% of the consultants who rendered services subsidized by REDAH has a considerably greater or outstandingly greater number of clients, 35% of them have a partly increased number of clients, whereas 41% of them have minimum or no increase in number of clients to be attributed to the fact of certification or inclusion into the REDAH's list.

CONCLUSION

In the framework of the Voucher scheme project and business entity consultancy implementation, and based on the research findings, REDAH conducted trainings for entrepreneurs in the areas detected in the analysis as those needed by the entrepreneurs. The sets of trainings were attended by 70 entrepreneurs.

The total of 84 potential consultants/service providers responded to the public call, 33 of which are natural persons and 49 legal persons. 50 consultants were successfully certified, 15 of them natural persons and 35 legal persons, which shows a strong interest existing on the part of the service providers.

113 companies applied for support and consultancies, out of which 87 got the vouchers and the chance to use this support following the review made by the REDAH experts, and 76 of them have fully implemented the activities they asked the support for. The total amount of assets spent for subsidizing consultancy services through voucher system is 100,000 EUR, and the maximum amount of subsidy was 3,000 KM (around 1,500 EUR).

The research findings showed that 86% of the beneficiaries fully or mostly resolved the problem they engaged the consultant for, whereas 14% of the companies partly resolved their problem. Also, 95% of the beneficiaries are fully or mostly satisfied with the service rendered. In this view, we can conclude that the

hypothesis H-1: "Beneficiaries based in Herzegovina Region managed to resolve their business problems for which they sought assistance from consultants engaged via REDAH" was hereby well substantiated.

The research also showed that 91% of the beneficiaries, once the service is carried out, demonstrated absolute trust or considerably greater trust than before, and that they are convinced the consultants can help them resolve the problems of their companies, and all beneficiaries are sure they would certainly or most probably engage a consultant again, when in need to do so.

Also, 53% of the consultants who provided services in this project were engaged again by the same companies to solve some other problems and offer specific consultancy services, and 59% of the consultants partly, considerably or largely increased a number of their clients once they got certified and included in the list of certified REDAH's consultants. In this view, we can conclude that the hypothesis H - 2 "Voucher system helped build the trust between the consultants as service providers and companies as service beneficiaries, as well as the consultancy market development in the Herzegovina Region" was hereby well substantiated too.

The prevailing opinion is that these kinds of incentives and subsidies, particularly for the start-up companies should be continued along with finding other sources of finances and incentives from the state to enable the entrepreneurs and companies facing problems to seek and get adequate professional assistance, without having to suffer much of a financial burden..

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