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SUMMARY

ANALYSIS OF THE SITUATION OF MICRO AND SMALL ENTERPRISES IN BULGARIA AND THE ASSESSMENT OF THEIR TRAINING NEEDS

under the project "Building Communities of Knowledge for Competitive MSEs", funded under the Balkans - Mediterranean Transnational Cooperation Program 2014-2020, Contract No BMP1 / 1.3 / 1848/2019 , Contracting Authority - Microfund Sofia Foundation

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The main purpose of the analysis is to determine, before defining the content of the training plan, the needs of the target group, which is defined as SMEs, with an emphasis on micro-enterprises (including social enterprises) as well as start-ups.
The activity is carried out as part of contract dated June 25, 2019 between Microfund Sofia Foundation, in its role of contracting authority, and Prime Consulting Ltd., the contractor responsible for the analysis.
The review of the state of micro and small enterprises in Bulgaria is based on publicly available publications and research, as well as our own observations, with an emphasis on trends and challenges, mainly related to the knowledge and skills needs for successful business development.

TRENDS

At the end of 2017, micro enterprises in Bulgaria were 375 754, but as a share in the group of active enterprises this represented 92.48%, as enterprises with zero employees (those in which works only the owner) are 164 876 and represents 47.4% of all active enterprises. The next group of 1-4 employees accounted for 130 788 enterprises, or 37.6% of the total for 2017. The lowest is the share of enterprises in the group "5-9 employees" -7.2%.
The owners' profile shows the following - nearly two-thirds of small and medium-sized business owners in the country are men. The average age of entrepreneurs is 46 years, with the largest groups being 41-50 year old (32%) and 31-40 year old (30%). In third place comes the group of 51-60 year old (24%). The youngest (up to 30 years old) and the oldest (over 61 years old) share equally 14% of all.

The entrepreneurship experience of SME owners has an average of 14 years. Just over half have experience between 6 and 15 years. One in ten has less than 5 years experience and one in ten has more than 20 years experience.
Over half of SME owners have secondary education - almost 54%. The share of owners of companies with higher education (bachelor, master, doctor) is 43%.
Although with a very low share, 3% of all owners have primary and elementary education. Owners with low education are found exclusively in micro enterprises.

Accents

- Micro-enterprises are the main unit in the business environment, as every 2nd company is owned by a person with secondary education.
- Every 3rd company falls within the definition of family business.
- Many micro-enterprises do not have a development strategy in place
- The level of digital skills among entrepreneurs is not high, but a key factor in our increasingly digitalworld.
- The distribution of companies shows entrepreneurial activity following the demographics of the country, with a lag in the peripheral border, mountain or rural areas.

SME SUSTAINABILITY

12.0% out of the total number of enterprises in the economy, were born in 2017. Over the last five years, 12.03% of the number of enterprises active during the period have been born on average. During the observed period, the largest number of newborns did not hire labor (these are the so-called self-employed owners who work alone in their company). Out of a total of 41 887 newborns, in 2017, 28 064 newborns are without hired employees, followed by group "1 to 4 employees" - 12 661. In the same year newborns with 10 or more employees (categorized as small and medium) are only 537, which is indication of the way how the business ussually starts.

79.4% out of all enterprises born in 2016, survived a year later, with a relative share of 88.8% for the group of 5-9 employees. In 2016, 43 434 new businesses were born, of which 34 508 survived successfully in 2017. Since 2012, with the increase from the year of birth, there has been a tendency to decrease the number of surviving enterprises for all four groups of enterprises, according to the number of employees in them.
The share of enterprises born in 2012 and still active five years later - in 2017, is about 41%. In 2016, 41,611 enterprises died, or 11.9% of the number of active enterprises in the same year, which resulted in the loss of their jobs by 3.2% of the employed during the year.

Accents

• Each of the 5 enterprises created dies within the first year of its establishment. Another 2 businesses die before they turn 5 years old. Objectively, before they reach institutional maturity, 3 out of every 5 companies go bankrupt, as the process mainly affecting micro-enterprises and the most risky being the trading sector.
• The tendency for the relative share of start-ups and dying enterprises has been stable in recent years, which can be used to predict the fate of future new entrepreneurs.
• A very large number of micro-enterprises are without employed staff, (only the owner works), which makes him highly dependent on his own knowledge and qualities. The same applies to micro enterprises with 1 to 4 employees, where the role of the owner is crucial for the development of the business.

RECOMMENDATIONS

The main recommendations regarding the need for training are oriented in two directions:

- ✓ According to the profile of entrepreneurs in need of training, and
- ✓ According to the nature of the topics that emerge as most needed.

The profile of the entrepreneur who is most in need of training looks like this - it is most often a man with secondary education, with a business in the countryside, working alone, or at most with several people.

Beyond statistics, those in need of more focused training to support the development of their existing business or the start of their new venture are:

- Persons with secondary education due to lack of academic background related to entrepreneurship and business;
- Young people, regardless of their education, due to lack of practical business skills and experience;
- Older entrepreneurs who have less knowledge and skills in the digital field;

- Entrepreneurs from border and rural areas who have less access to training and, at the same time, their businesses are operating under different than usual circumstances - a significantly more restricted market, an activity based on personal relationships rather than brand.
- Persons who are expected to inherit their parents' businesses and have need of broader knowledge (these individuals are also included in some of the other groups described as youth and rural businesses).

The nature of the topics that are set as the most necessary for training confirm the preidentified scope of the project, and it should be noted that motivation and need are generated by different factors and are valid to different degrees by different target groups.

Basic entrepreneurial skills

Business planning is essential for start-ups who need to properly model their business, and less needed for people with experience (existing business). Operational and financial management skills are more useful for entrepreneurs who have a team of recruited employees and less useful for self-employed individuals. Marketing knowledge is more useful to entrepreuners in trade and service sectors, with particular emphasis on digital marketing and up-to-date sales techniques.

Personal skills for successful business development

Key competencies are equally valid for every entrepreneur, regardless of whether they have a team, in what area is their business, and where they are located geographically. Negotiation and communication skills, time management, teamwork are a must for entrepreneurs in the competitive environment in which they operate.

Basic IT skills

Particular attention should be paid to preparing entrepreneurs for online commerce and the related creation and maintenance of online shops, digital channels for promotion and advertising, presence on social networks and their use for doing business.

Needs training beyond the main topics

In examining training needs based on individual interviews and focus groups, the question was also raised about other areas of knowledge in which entrepreneurs need additional knowledge. Most of the respondents indicated that there was a need to increase knowledge in several main topics:

- Legal training relating to commercial law knowledge, and in particular the preparation and conclusion of contracts;
- Tax area, because of the need for a clearer and more precise formulation of its activity and the operations performed;
- Accounting knowledge - to enable the entrepreneur to analyze financial reports on his own and to evaluate the result of the efforts accordingly.

Several of the interviewees also cited the enhancement of their language competencies as essential to the business.