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METHODOLOGY FOR DEFINING THE ATTITUDE OF BULGARIAN SMEs TO IMPLEMENT CHANGE MANAGEMENT

**МЕТОДОЛОГІЯ ВИЗНАЧЕННЯ ВІДНОШЕННЯ БОЛГАРСЬКИХ МАЛИХ ТА
СЕРЕДНІХ ПІДПРИЄМСТВ ДЛЯ ВПРОВАДЖЕННЯ УПРАВЛІННЯ ЗМІНАМИ**

**МЕТОДОЛОГИЯ ОПРЕДЕЛЕНИЯ ОТНОШЕНИЯ БОЛГАРСКИХ МАЛЫХ И
СРЕДНИХ ПРЕДПРИЯТИЙ ДЛЯ ВНЕДРЕНИЯ УПРАВЛЕНИЯ**

ИЗМЕНЕНИЯМИ

Nowadays competitiveness is a synonym of flexibility and adaptability to the dynamic economic environment and only these enterprises that are proactive in order to satisfy the increasing customers' needs will survive at the market. Change management is one of the leading concept to improve competitiveness and Bulgarian SMEs have to be prepared and opened to implement changes. The article proposes a methodology for defining the attitude of the Bulgarian Small and Medium Enterprises to implement change management.

Key words: Change Management, SMEs, flexibility, adaptability, entrepreneurship

Introduction. The socio-economic situation in a world scale is so dynamic, unpredictable and unstable, that many companies faces difficulties to survive. According to data, collected by Eurostat or Bulgarian National Statistical Institute, the indicators for status of SMEs` sector in Bulgaria (such as number, structures, number of start-ups, investments, technological development, level of entrepreneurship etc.) are not positive, especially comparing to the EU level. The reason for this unfavorable situation we can explain with the reluctance to implement change.

The father of social change theory Kurt Lewin focus on the understanding that change is a social phenomenon which can be described as a process and does not have the nature of a “thing” (Lewin, 1947). He also considers that the study of the conditions for change begins appropriately with an analysis of the conditions for “no change,” that is, for the state of equilibrium. His research become the basis of the modern change management theory and inspire many authors to explore this issue in different perspectives. Other famous scientist – Ichak Adizes claims that to manage change a decision has to be made and implemented. What are good decisions? Good decisions make the organization effective and efficient in the short and long run. They make the organization

functional, systematized, proactive and organic in consciousness (Adizes, 1991). Greiner explores the role of managers and managerial behavior in the change process. According to his thesis, leaders at the top should be ready to work with the flow of the tide rather than against it; yet they should be cautious because it is tempting to skip phases out of impatience. Each phase produces certain strengths and learning experiences in the organization that will be essential for success in subsequent phases (Greiner, 1998). In cooperation with other researcher (Bowen, Greiner, 1986) they claim that an effective human resources function is viewed by executives and business critics alike as the key to successful management in our emergent high-tech, services-based, global economy.

Since its establishment Change Management becomes a subject for research of many authors. In the last few years there are developed different scientific perspectives: change management in various economic sectors, for instance agriculture (Thornton, Schuetz, Förch, Cramer, Abreu, Vermeulen, Campbell, 2017), or industry with high level of risk (Gerbec, 2016), the change impact on the employees' behavior (Day, Crown, Ivany, 2017); or change management in the context of other theory, such as project management (Hornstein, 2015), organizational change and sustainability (Arroyo, 2017); Change Management and Conflict Management (Apipalakul Kummoon, 2017).

Marco Gerbec explores the possibility of safely implementation of change in industry organizations especially in those with high level of potential implications on major accident hazards (Gerbec, 2016). He proposes a new integrated method he calls "Safety change management", to evaluate and manage change proposals, considering both technical and organizational dimensions in an integrated way. This method includes the consideration of applicable management levels within the organization and follows a business process redesign model. Agricultural Development through Change Management approach is a subject of research of an intercontinental scientific team. They describe an approach based on theory of change. This includes a monitoring, evaluation and learning system that combines indicators of progress in research along with indicators of change aimed at understanding the factors that enable or inhibit the behavioral changes that can bring about development impacts. Theory of change represents our best understanding of how engagement and learning can enable change as well as how progress towards outcomes might be measured (Thornton and all, 2017).

International team of scientists develops the relation between the reporting process and organizational change management for sustainability in public organizations. Authors claim that despite the fact that public sector organizations are still lagging behind in the sustainability reporting journey when compared to other organizations, they have started to use sustainability reporting as communication tool, which can lead to organizational changes.

Sustainability reporting appears to be one of the drivers for Organizational Change Management for Sustainability in public sector organizations, since it has the possibility to affect the organizational culture (Domingues, Lozano, Ceulemans, Ramos, 2017). Canadian scientists focus on the employees' behavior and stress during the change process. They conduct empirical survey among 202 Canadian health-care employees. The results from survey are as follows (Day, Crown, Ivany, 2017): stressors are associated with negative health complaints and burnout; supervisor support was associated with lower levels of exhaustion and cynicism. However, after controlling for the effects of the change-related stressors, it was only associated with cynicism; job control was related to lower levels of emotional exhaustion and cynicism, and was related to higher levels of professional efficacy, even after controlling for change-related stressors. Almost the same thesis shares the team of German scientists (Heckmann, Steger, Dowling, 2016), studying organizational capacity for change, change experience and project performance. They conducted a survey among managers of 134 companies in order to understand why some organizations are more capable of change than the others. One of recommendation of the team is that companies should carefully develop and invest in their change management capacities, independent of their size, age, or industry. Different measures of human resource management, such as a change-friendly personnel development, the use of change experiences as a key criterion for employee recruitment and selection, or the introduction of respective incentive systems to promote change gain in importance. Regarding the reasons for differences in organizational capacity for change they claim that the findings particularly point to the importance of positive change experiences. This finding suggests that top management should help all members of the company to gain some benefits from change projects and from perceiving change as generally positive and desirable. Hornstein (Hornstein, 2015) emphasizes to the necessity of viewing projects as organizational change initiatives, and suggests that aspiring and current project managers should be explicitly trained in applying organizational change methodologies and processes that integrate the aforementioned social/psychological perspectives in the implementation of projects, and/or include the competence in their project teams. Interest point of view proposes Todorova-Sokolova (Todorova-Sokolova, 2016) for the improvement of decision making process through different methods for multivariate adequate decisions.

Although the scientific perspective is, the discourse about Change Management and its potential for organizational development both in public and private sectors is undoubtable especially in the dynamic market situation or in respect of citizens' demands to the authorities.

Bulgarian SME sector. Bulgarian Small and Medium-Sized Enterprise Promotion Agency under the Minister of Economy is the central public authority in the country, responsible for implementation SME policy. According to the last published analysis (BSMEPA, 2013), structure of Bulgarian SMEs is similar to the European: the biggest part is for micro enterprises (92,2%), small – approximately 6,5%, medium-sized – 1,1%, and the large enterprises – only 0,2%. According to this analysis, the structure of enterprises during the period 2010-2013 rest the same – 99,8% from Bulgarian enterprises are SMEs.

According to public data from the National Statistical Institute (March 2017), Bulgarian SMEs face several basic problems that are in different dimensions and intensity depending on the type – SME offering services or industrial enterprise (Fig. 1 and Fig. 2).

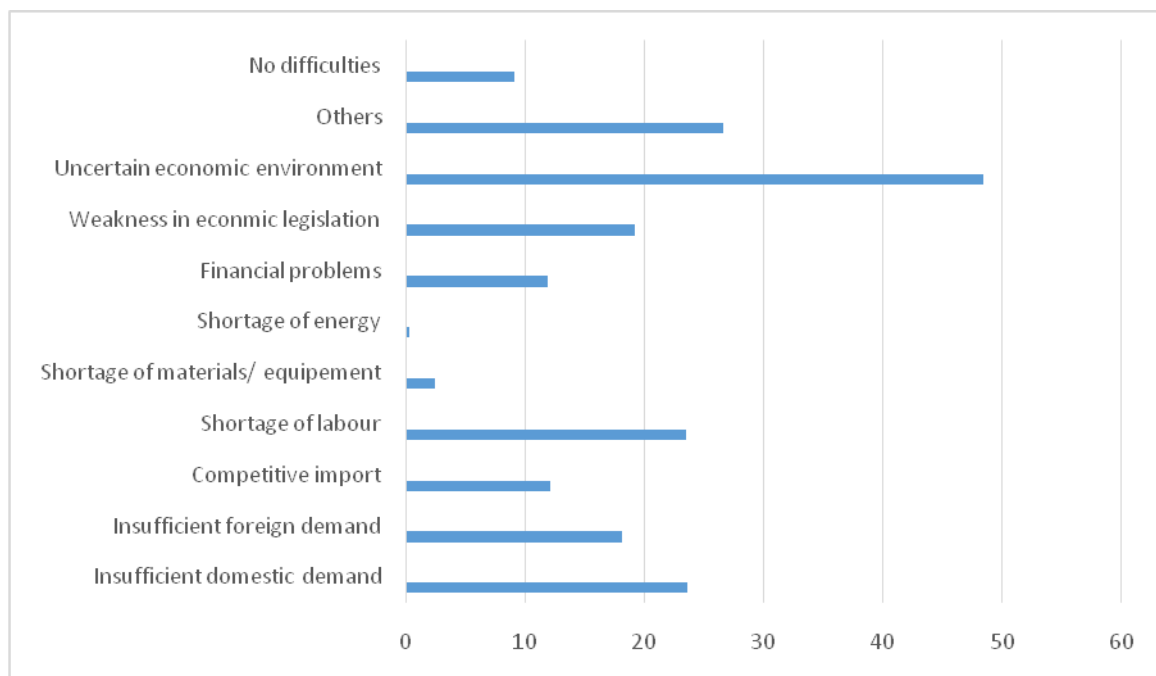


Fig.1 Factors limiting the activity of industrial enterprises

Source: Bulgarian National Statistical Institute, March 2017

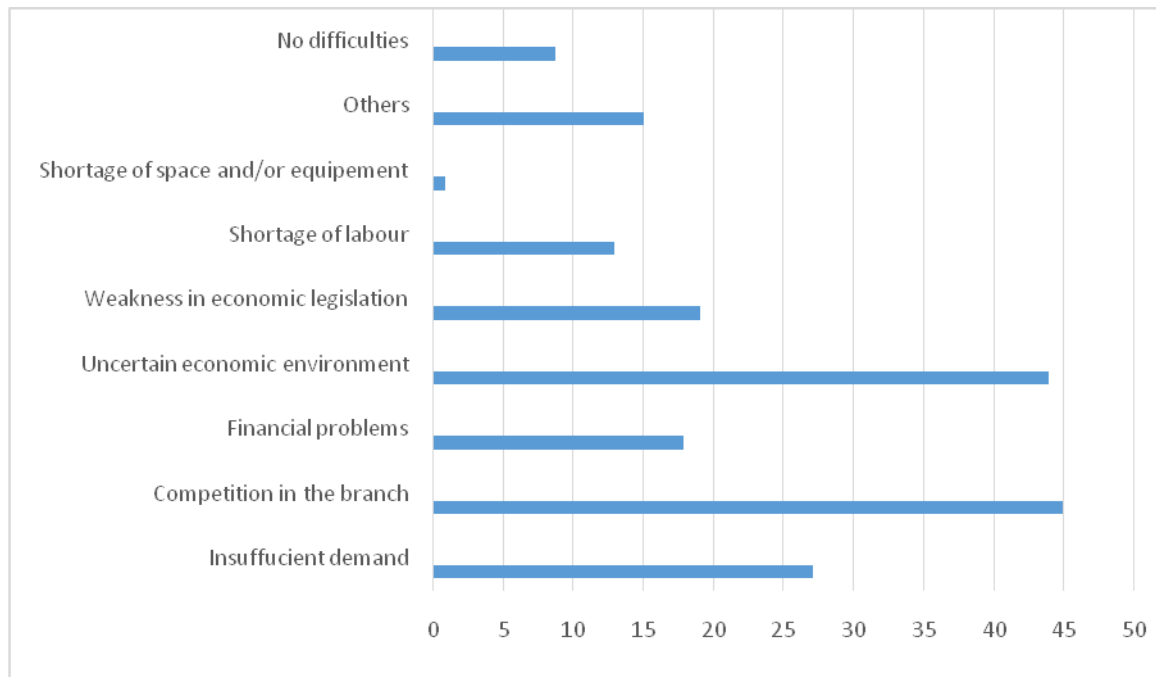


Fig.2 Factors limiting the activity of enterprises in service sector

Source: Bulgarian National Statistical Institute, March 2017

According to data from the figures, SMEs both in service and industry have identified uncertain economic environment as one of the major problems for development their activities. For SMEs in service sector the competition in the branch is on top of the factors, limiting the activities, while the industrial enterprises put on the third place (first is for the economic environment, second place is for the “others limitations”) shortage of labour. Interesting fact is that financial limitations are not defined as priority problems in both types of enterprises – for industrial the rate is 11,9% and for service enterprises – 17,8%. These results are supported with the results of other criteria – that for technical equipment. Only 2,5% from the industrial enterprises have identified this for limitation, and with regard to the service enterprises, the result is even lower – 0,8%. That phenomenon is peculiar, especially referring to the data from the analysis of BSMEPA, where the authors said that despite of all overall low technological level of the Bulgarian SMEs, only 27% of respondents indicated that they had made investments for technological renovation in the recent past years (Fig.3).

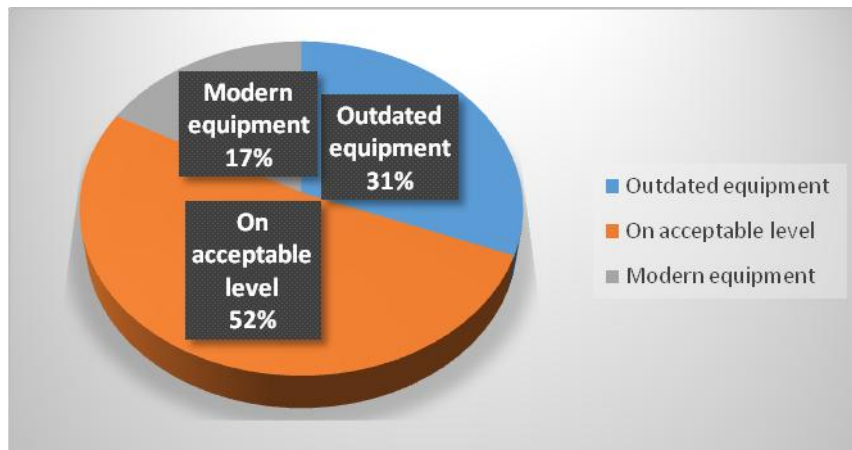


Fig. 3. State of technological equipment of the Bulgarian SMEs in accordance to the European standards
Source: BSMEPA, 2012

This results are supported by the resent documents – for instance Bulgarian Partnership Agreement with the European Commission and Operational program “Innovation and Competitiveness” 2014-2020 (OPIC). OPIC which is implemented at this programming period, identifies as one of the biggest challenges to Bulgarian economy the low degree of innovativeness of Bulgarian enterprises as a result of insufficient cooperation between business, academia and universities, small in volume and inefficient investment in R&D and innovation, and lack of adequate infrastructure and environment for innovation (OPIC, 2015). The Ministry of Economy in OPIC refers to data from The Global competitiveness report 2013-2014, where the Bulgarian SMEs are at 108th position among 148 countries in terms of business sophistication and innovation. Bulgaria is the last in the EU in innovation performance and the last but one in the share of SMEs that have marketed new products or services (17% compared to 39% for the EU). The low level of innovative activity leads to a strong price competition from countries with lower production costs and a decline in the market share of Bulgarian exports in a number of leading industries (light industry, food processing, pharmaceuticals, iron and steel production, etc.).

Methodology for defining the attitude of Bulgarian SMEs to implement change management

All presented data from the previous part of this article show the alarming trends in the Bulgarian SMEs sector. One of the reasons that may explain the situation is the lack of experience of the Bulgarian companies to implement and manage change. This article develops a methodology for defining namely the attitude of the Bulgarian SMEs to change and their willingness to implement it. The process of establishing methodology as well as the specific tasks on each phase is shown on fig. 4.

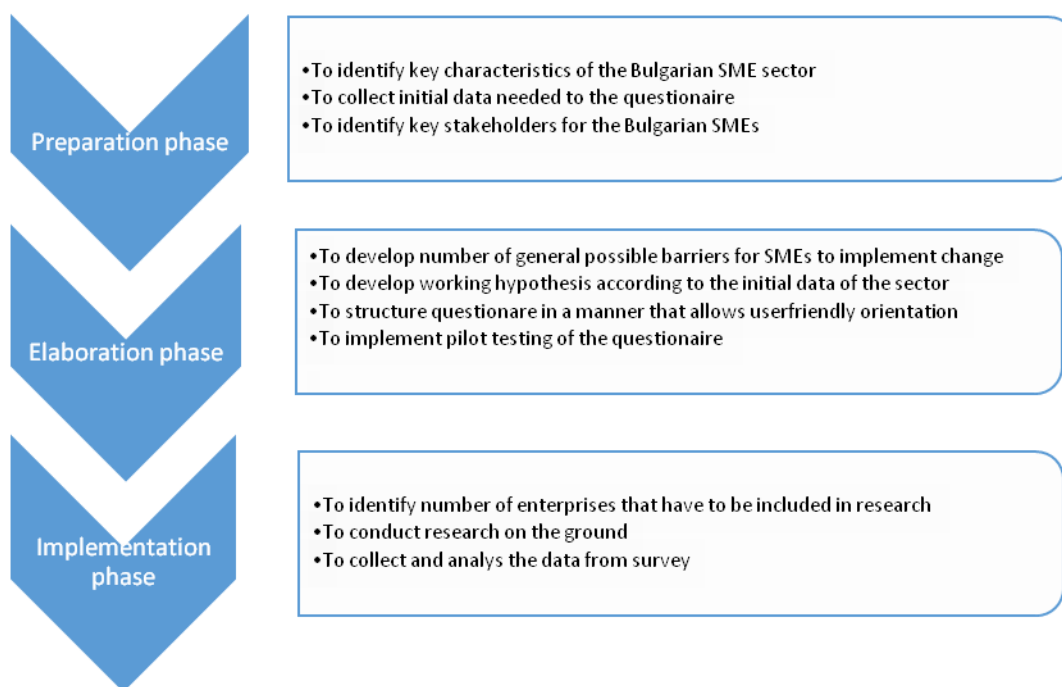


Fig. 4. Phases inthe process of establishing methodology and specific tasks

Preparation Phase – On that phase we have to collect all initial data that we need to develop the next steps of the research. Possible sources on this from the public authorities can be National Statistical Institute, Eurostat, The Ministry of Economy, The Managing Authority of the OP “Innovation and Competitiveness”, The Bulgarian Small and Medium Enterprises Promotion Agency, The Ministry of Finance, The National Revenue Agency, local authorities etc. To identify properly key stakeholders for Bulgarian SMEs, first of all we have to put them on typology, in order to include all general organizations despite of the field and type of service provided to SMEs. An attempt to include all major stakeholders for SMEs sector is presented to the Table 1.

Table 1. Major stakeholders for SMEs sector in Bulgaria

N	Stakeholder general type	Name	Sphere of competence
1.	Public Authorities on central or local level	Bulgarian Parliament	National Legislation, focus on the taxation and licensing regime
		The Ministry of Economy	Responsible authority for stable economic growth and forms governmental policy for SME sector
		The Bulgarian Small and Medium Enterprises	Implement governmental policy for SME sector]

		Promotion Agency	Provide with sectorial economic analysis; Maintain register of Bulgarian SMEs Organize national participation to international exhibitions and fairs
		Local Governments	Local Taxes and specific regional characteristics
		The Ministry of Finance	Responsible authority for taxes, state aid etc.
		The National Revenue Agency	Paying Taxes Authority
2.	Banks	All Banks operating in the territory of Bulgaria	Provide SMEs with loans
3.	Other financial business opportunities	Operational Programme “Innovation and Competitiveness” 2014-2020	Provide financial support to the SMEs through project grants in different priorities – technological modernization, compliance with international standards, innovation etc.
		Operational Programme “Human Resource development” 2014-2020	Provide financial support to the SMEs through project grants in different priorities mainly in training, qualification, job mobility, social enterprises etc.
		Operational Programme “Initiative for SMEs ”	Enhancing the access to debt finance for SMEs in Bulgaria
		Juncker`s Plan	Supporting investment in the real economy for: -Institutional investors in the EU and abroad -Project promoters -Small and medium-sized enterprises
		Investment Hubs such as 11 hub	Invest in startups in the following sectors: Saas, Hardware, Insure Tech, Med Tech, Clean Techetc.
4.	NGOs that supported SMEs	Bulgarian Industrial Association	Represent and protect the interests of its members before the state, public and international bodies and organizations;
		Bulgarian Chamber of Commerce and Industry	Seminars, trainings, presentations; Business delegations and missions; Consultancy services; International Fairs and Exhibition; Business offers; Economy analysis
		Confederation of employers and industrialists in Bulgaria	Activities for improving the business climate in the country

			Assist its members in sharing best business practices Raise the competitiveness of the Bulgarian economy
5.	Consultancy sector	All private companies providing consultancy services for SMEs	Services mainly in the field of: legislation and taxation; accounting services; EU project preparation and implementation services etc.
6.	Information Networks for SMEs	Enterprise Europe Network	Combined information and consultancy service on possibility to export; new technology transfer; intellectual property protection etc.
		Network of 27 District Information Points	Provide with information on the opportunities about funding through Operational Programmes

Elaboration phase—this phase maybe is the most important because here the questions of the research are formulated. If we understand the questionnaire as an instrument, if this tool is not made properly and qualitatively, then the results from survey will be unreliable and trustless. To avoid these problems, the process of formulating the questions has to be implemented with high level of preciseness and attention. But to formulate questions is not a simple work – first of all you have to be very aware of the real situation with its background, history and reflections to the current environment. On the other hand, the questionnaire itself has to be developed in a manner that is user-friendly for the responders. Thus leads to the questions (excluding these for personnel information) with proposed answers, among which responders have to choose the correct alternative for them. One of the important steps to the questions` determination is to define the potential barriers to SMEs for change implementation. They will help us to develop proper possible answers. According to initial information as well as other researches in that field, potential barriers for SMEs to implement change can be divided into several groups: financial (lack of working capital), process oriented (the change is not considered as a separate action influencing only one process, but resulting to the domino effect; i.e. effective change on process has to put on diagnosis all implemented process at the enterprise); management attitude to change (much of the Bulgarian micro and small sized enterprises are managed by their owners, resulting to unwillingness to understand and implement modern managerial concepts – i.e.) and employees behavior (leading to effective resistance to change). Having in mind all initial information, we decided to divide our questionnaire into three parts:

First panel: personnel information (mainly collected through opened questions):

- Name of the company, economic sector, size of the enterprise (micro, small or medium sized), number of employees; type of the enterprise – industrial, manufacturing, service company etc.; year of foundation of the

enterprise; the year of the last change, regardless the type of change (for instance technological, change of offered product or services to customers, structural etc.)

- position, sex, number of years at the company, education (for respondent);

Second panel: Barriers to implement change (mainly collected through closed questions with proposed answers. Here it is possible to consider the way of filling the questionnaire – with multiple choices or with a range of answers from top to bottom for instance):

- Financial barriers: insufficient work capital; inability or rejection from banks to obtain loans; lack of sufficient funds or property to secure payment of the loan; high requirements from banks to the enterprise for loans; unsatisfactory demands set by the banks for the credit management; lack of experience in preparation and implementation of EU funded project
- Barriers, referring to the type and environment of change: lack of enough experience for effective diagnose of the real problem that has to be changed; lack of experts who will implement change properly; bad experience to change implementation etc.;
- Barriers, referring to management attitude to change – unwillingness of understanding the necessity of change; suspicious attitude of the management to new theoretical and practical concept that may help to develop business; change never will be putting as a priority in the management agenda;
- Barriers, referring to employees behavior – employees perceive change as a direct threat to their job, job position or to the place of the hierarchical structure of the enterprise; employees do not understand the need of change; employees understand the need of change but they carry out sabotage activities in different manners because they are filling uncertain; employees conduct public resistance to change even on its preparation phase.

Third panel: Possible ways to overcome barriers to change (mainly collected through closed questions with proposed answers. Here again such as previous panel, it is possible to consider the way of filling the questionnaire – with multiple choices or with a range of answers from top to bottom): with providing training course of the management and employees about change management; with promotion of good practices of companies, implemented successfully different changes; with providing enterprises with an actual and adequate information about possibilities to prepare and implement EU funded project; to include banks into financial mechanisms financed by European funds in order to achieve better requirements to the SMEs, applying for a loan.

On the base of the initial information and also on the base of clear thesis we are able to formulate three working hypothesis as follows:

Thesis: Bulgarian SMEs are at the last position among all EU member states in terms of business sophistication and innovation (According to The Global competitiveness report 2013-2014). Therefore they don't recognize and implement change as a way to survive in the dynamic and high competitive business environment.

First Hypothesis: Bulgarian SMEs don't have enough financial resource to implement change.

Second Hypothesis: The Management of the Bulgarian SMEs do not recognize the change as an effective way to gain competitiveness advantages.

Third Hypothesis: Employees attitude towards the change is initial negative but can be overcome with specific training as well as continuous information (from management to bottom during the change: hall plan for its implementation, objectives for change, results that have to be achieved with the change).

In order to be precise and accurate, the prepared questionnaire has to be put under pilot testing among different representatives of the distinct Bulgarian SMEs. Received comments, recommendations, opinions have to be taking into account.

Implementation phase as well as received results will be the subject of another study.

Conclusion. Change is all around us – in our life and everyday decisions that have to be made; in our public life with all social, culture, educational and also political dimensions. Change is a synonym of today business and dynamic market. To deny change is just as pointless as to deny technical revolution. To gain competitive advantages on national and international scale, Bulgarian SMEs has to be proactive to innovations and changes. First step on this direction is the management of the Bulgarian SMEs to realize the necessity of change and to remodel the attitude towards change. The article presents a methodology to study the attitude, based on the understanding that we will never be able to change something that we do not know what it is.

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