

# Consulting-Based Training Methodology for Achieving Sustainable Performance of SMEs on the Basis of Enterprise Life Cycle

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## ABSTRACT

Global competitiveness, economic slack and uncertainty of business environment give birth to a number of significant questions which are related to the quality management of business in small and medium enterprises and to their capability to function successfully in a long-term perspective. An enterprise itself develops in a cyclic mode. In order to provide sustainable development of an enterprise in dynamically changing environment of contemporary business, methods based on new approaches should be used in its management. The authors show the opportunities of acquiring new knowledge by businessmen using properly structured basis of knowledge on sustainable performance management of an enterprise using the objective laws of its life cycle. They have elaborated a special method of workplace training of businessmen; this approach enables to ensure sustainable business in accordance with the peculiarities of the stage of the small and medium-sized enterprise life cycle.

**Keywords:** consulting-based training, sustainable performance, small and medium-sized enterprise, enterprise life cycle.

## 1. INTRODUCTION

The training methodology was developed by the authors of this article within the project «Developing of training methodology for sustainable performing of small and medium-sized enterprises based on the company's life cycle» (2011) which was granted by Riga Technical University [11].

The results of predevelopment analysis carried out by the authors revealed the problem of low viability of small and medium-sized enterprises. Taking into account the importance of small and medium-sized businesses for the national economy, which is confirmed by quantitative contribution of this group of enterprises into gross domestic product, as well as into the increase of

employment, it is necessary to put principles of sustainable development into practice through training businessmen at their workplace. The purpose of the above mentioned project was to develop a special consulting-based training program for businessmen at their workplaces, the application of which will contribute to the maintaining of sustainable business in accordance with the peculiarities of life cycle stages of a small business.

The **economic ground** of this training programme is based on Guna Ciemleja's PhD research "The sustainable performance of small and medium-sized enterprises. Problems and solutions" conducted under the scientific supervision of prof. Natalja Lace in Riga Technical University in 2006 -2010. The **didactic approach** to the elaboration of the content of the training seminars is based on workplace learning principles by Stephen Billett (2001) [7], while the **organisation** of the training is realized due to Siohong Tih and Takeru Ohe's model of consulting-based entrepreneurship education (Tih & Ohe, 2009) [29].

## 2. THE SYSTEM OF AN ENTERPRISE SUSTAINABLE DEVELOPMENT

Based on various scholars' researches on issues of sustainable development [2, 3, 9, 12, 13, 18] the authors conclude, that the main point of the concept of «sustainable development» presents coordinated and systemic advancement of an enterprise towards its aims which takes place only when all the three dimensions of sustainability: social, economic and ecologic are incorporated simultaneously into subject's activities. In this respect the following factors of sustainable development, that are common to all enterprises, can be mentioned: 1) income, which is formed by consumers (clients) while utilizing products and services produced by the enterprise; 2) financial stability and positive dynamics of profitability; 3) competences and skills of the personnel; 4) inclusion of ecological issues in the

process of enterprise management; 5) positive attitude of the society towards the performance of the enterprise.

The authors conclude that sustainability of an enterprise depends on the management system of the enterprise, which provides effectiveness and efficiency of sub-systems, taking into consideration deviations from the state of equilibrium. It demands concretization of the possibilities of practical application of sustainable development concept in the enterprise, taking into consideration the fact that all the processes which support sustainability of an enterprise: 1) are mutually connected, 2) interact, and 3) functional process of each management level is implemented through dimensions of sustainability. Thus, the quality of an enterprise management influences the total result, including as well innovative potential of the enterprise.

A human being as a special element and factor of the enterprise system complicates functionality of the system with his social expressions, because only a human being can create an idea in this system and implement it. The authors conclude that viability of an enterprise in a long-term period depends on the innovative potential, which is based upon a creative approach that is implemented by all stakeholders of the enterprise – not only employees, but as well shareholders and customers [12]. It is justified by the results of the activities implemented – discussions in the enterprises.

Important factors for the sustainability of an enterprise are formed in the social environment. Social capital [8, 20, 22, 28, 30, 31, 32] can be considered as one of the potentials of the enterprise development, which increases return from the use of other capitals. Therefore, to provide a possibility to acknowledge the linkage of the social capital with the enterprise performance in the context of sustainable development, the management of social and customers' capital has become of vital importance. It influences productivity, competitiveness and sustainable development of the enterprise (minimizes operative expenditures for obtaining information, accelerates circulation of information, lessens asymmetry of information and enhances development of new knowledge).

In order to improve efficiency of the system, which results from both enterprise's management and government efficiency; as for small enterprises, they should pay special attention to evaluation of their performance [4, 5, 15, 19, 23, 24]. Performance measures characterize the fulfillment of goals, but they can be used also as a strategic tool for the enterprise management.

Completing Stafford Beer's [6] idea about the significance of enterprise indicators in providing sustainability of the system, the authors consider that three levels of performance: *actual*, *target (planned)* and *standard* are formed in the enterprise. *Actual performance* of the enterprise is formed in certain time

period as an actual return from the utilization of existing resources, taking into account existing restrictions. *Target (planned) performance* corresponds to the return that the enterprise plans to obtain from the utilizing of existing resources, taking into consideration existing restrictions. *Standard performance* of the enterprise is an eventual return that can be obtained by the enterprise if it develops existing resources, takes off the restrictions and uses the opportunities, which can be achieved taking into account the influence of factors maintaining sustainable development of the enterprise. Potential performances of the enterprise include unused opportunities, which are the subject of possible development by using innovations and competent enterprise management.

The authors consider that it is possible to improve efficiency by utilizing the enterprise's performance measurement system, which includes dimensions of sustainable development in combination with the elements – processes supporting sustainable development of the enterprise: *production process*, *sales process*, *personnel management process*, *financial management process*, *accounting process*.

As a result of interaction between management levels and functional fields at each management level, the following issues and characteristics incorporated in performance measures are being formed: 1) strategic level – strategic layout of production machines, choice of placement, development of new products, planning of labour force long-term development, providing profit, selection of accounting technical solutions; 2) administrative level – management of production flows and schedules, development of production price policy and sales promotion campaigns, providing wages, social benefits and acquisitions, analysis, budget planning, supervision of expenses and income, supervision of prime costs; 3) knowledge level – development and designing of new products, analysis of the market situation, research, identification of clients, forecasting employees development and careers, analysis of customers cash flow and survey of possibilities for decreasing risks, forming investment portfolios; elaboration of accounting methodology in the enterprise; 4) operational level – performance of production machines, load control, quality and material consumption analysis; resources and time invested in customers' service; personnel training and environment maintenance expenses, supervision of customers' cash flow and accounting operations.

During the period of its existence, the enterprise as a social-economic system passes through different functional stages, which in literature are defined as enterprise life cycle. Concept of the enterprise life cycle (ELC) [1, 14, 16, 17, 21, 25, 26, 27] was created within the enterprise management theory with an aim to explain changes in the enterprise in the context of time.

In literature there is no finalized approach to the division of ELC into stages, as well there is no sound

comprehension regarding the number of stages and methodological grounds for defining them. A common feature of all the models of the ELC is that cyclic development of the enterprise can be foreseen, and the enterprise ought to function under the existing conditions with a future vision, where development possesses consequent and qualitative changes.

Therefore, enterprise management, which is oriented towards solving problems, specific for the particular stage (phase) of ELC, should be considered as a condition which enables the enterprise to maintain sustainable performance.

In the result of research conducted by G. Ciemleja and N. Lace, the model of sustainable performing of SMEs taking into consideration phases of the enterprise life cycle was elaborated [10]:

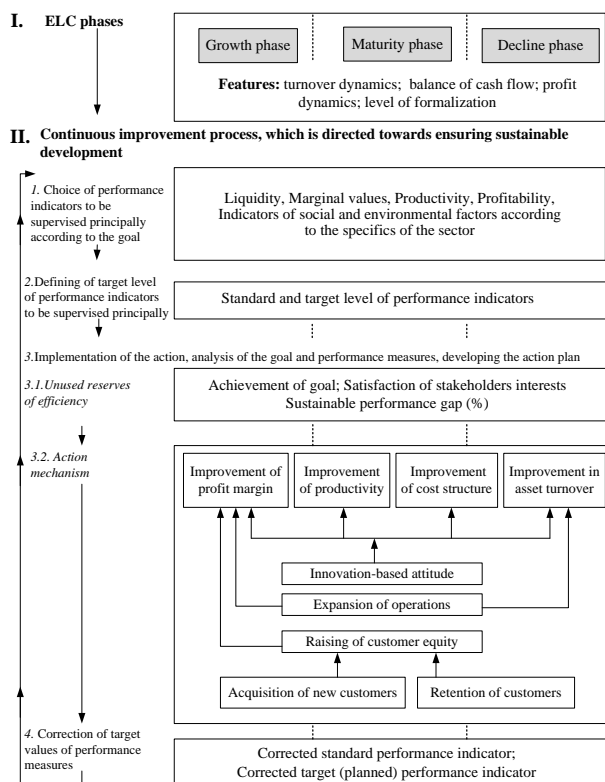


Figure 1. Model of sustainable performing of small and medium-sized enterprises in the context of ELC

The model of SME sustainable performing comprises two stages: 1) Determining of phases of the enterprise life cycle and 2) Continuous improvement process, which is directed towards sustainable development.

This approach to sustainable performance of SMEs was applied for elaborating the training program.

### 3. METHODOLOGICAL FRAMEWORK OF CONSULTING-BASED TRAINING FOR SUSTAINABLE PERFORMING OF SMEs BASED ON THE COMPANY'S LIFE CYCLE: PILOT PROJECT

While elaborating the content of this training methodology for businessmen, the authors used the main principles of Stephen Billett's learning in the workplace:

- movement from less to more complex tasks;
- movement from the global to the local;
- movement from less to more accountable tasks;
- provision of access to experiences that build up knowledge by understanding the goals and procedures required for performance [7].

The aim of the training is to teach and consult businessmen on ensuring economically viable business based on the principles of the interconnection of sustainable development of enterprise and its life cycle. In order to achieve the goal set, a course of five face-to-face seminars is worked out, which are to be held by an experienced consultant. Each seminar is programmed to cover:

- the aim and objectives;
- explanation of concepts, terms and phenomena, their interconnection, theoretical basis and practical application;
- explanation and solution of practical tasks (case studies);
- informative material for broadening businessmen's outlook and erudition on the theme under consideration;
- reflection on the knowledge and skills acquired in training;
- links between seminars to make the training holistic and logically interconnected;
- analysis of case study samples.

The organisation of the training is based on Siohong Tih and Takeru Ohe's "Consulting-based entrepreneurship education model" [29], which was complemented by the findings of researches conducted in the field of entrepreneurship education.

This training methodology was tested within a pilot project in four Latvian enterprises. Reflection of the businessmen involved in the project revealed their interest and appreciation of the approaches, activities and content of the training, which to their mind gives them the feeling of self-confidence, knowledge, skills and ground for analysing, comprehending and dealing with the problems concerning the sustainable development of their enterprises in the contemporary economic situation in Latvia. The aim, objectives, and expected outcomes for businessmen in the result of this consulting-based training are summarized and given in table 1

**Table 1.** The content of five-seminar training cycle for achieving sustainable performance of SMEs on the basis of enterprise life cycle

<b>Aim</b>	<b>Objectives</b>	<b>Expected outcomes for businessmen</b>
<b>Seminar Nr. 1 “The challenges on the way of ensuring sustainable development of an enterprise”</b>		
To explain the matter of consulting - based training to businessmen and form their comprehension of the concepts of sustainable development of a SME and enterprise life cycle in order to prepare them for acquiring the training methodology.	<ol style="list-style-type: none"> <li>1. To explain the aim of the training, its structure and characterize the activities needed for achieving the aim.</li> <li>2. To explain the essence of the concepts of sustainable development of a SME and enterprise life cycle, as well as the relevant terminology.</li> <li>3. To analyse to which extent businessmen are experienced in the issues of enterprise management which make the basis for providing its sustainable development.</li> <li>4. To offer businessmen to: a) reflect on what they acquired in the course of the seminar and b) prepare questions on the theme and topics considered in seminar Nr. 1 for the joint discussion and getting consultation in the beginning of seminar Nr. 2.</li> <li>5. To give idea on seminar Nr. 2.</li> </ol>	<ol style="list-style-type: none"> <li>1. Understanding of the peculiarities of consulting - based training.</li> <li>2. <b>Knowledge</b> on the concepts of sustainable development of a SME and enterprise life cycle.</li> <li>3. Active <b>attitude</b> towards the business problems of their enterprise.</li> </ol>
<b>Seminar Nr. 2 “Business environmental factors and manifestation of their impact on enterprise performance”</b>		
To explain the essence and manifestations of the factors of external and internal business environment which impact on the enterprise performance in order to help businessmen to determine the factors which hinder and promote the performance of their enterprise.	<ol style="list-style-type: none"> <li>1. To consult businessmen on issues accumulated by them after the previous seminar.</li> <li>2. To explain the essence and manifestations of the factors of external and internal business environment which influence the performance of an enterprise.</li> <li>3. To teach businessmen to: a) determine the impact of these factors in their enterprise and b) classify factors which hinder and promote the performance of their enterprise using special work sheets elaborated for seminar Nr. 2.</li> <li>4. To offer businessmen to: a) reflect on what they acquired in the course of the seminar and b) prepare questions on the theme and topics considered in seminar Nr. 2 for the joint discussion and getting consultation in the beginning of seminar Nr. 3.</li> <li>5. To give idea on seminar Nr. 3.</li> </ol>	<ol style="list-style-type: none"> <li>1. Theoretical <b>knowledge</b> on the essence and manifestations of the factors of external and internal business environment which impact on the enterprise performance.</li> <li>2. Practical <b>skills</b> of applying this knowledge in the case of their enterprise for determining the factors which hinder and promote its performance.</li> <li>3. Responsible and active <b>attitude</b> towards the business problems of their enterprise.</li> </ol>
<b>Seminar Nr. 3 “Enterprise life cycle, its stages and identification parameters”</b>		
To explain the essence and procedure of determining the parameters for the identification of the stage of enterprise life cycle and help businessmen to apply this knowledge in practice for their enterprise.	<ol style="list-style-type: none"> <li>1 To consult businessmen on issues accumulated by them after the previous seminar.</li> <li>2. To explain what parameters for the identification of the stage of enterprise life cycle can be.</li> <li>3. To help businessmen to determine the actual level of parameters in their enterprise for identifying the stage of its life cycle using special work sheets elaborated for seminar Nr. 3. To analyse the probable solutions of the problems on theoretical level together with businessmen.</li> <li>4. To identify the stage of the enterprise life cycle on the basis of the analysis conducted above.</li> <li>4. To offer businessmen to: a) reflect on what they acquired in the course of the seminar and b) prepare questions on the theme and topics considered in seminar Nr. 3 for the joint discussion and getting consultation in the beginning of seminar Nr. 4.</li> <li>5. To give idea on seminar Nr. 4.</li> </ol>	<ol style="list-style-type: none"> <li>1. <b>Knowledge</b> on parameters for the identification of the stage of enterprise life cycle.</li> <li>2. Practical <b>skills</b> of evaluating these parameters for their enterprise and identifying the stage of the enterprise life cycle.</li> <li>3. Responsible, conscious and active <b>attitude</b> towards the business problems of their enterprise.</li> </ol>
<b>Seminar Nr. 4 “Determination of efficiency indicators of enterprise performance”</b>		
To train businessmen to	1. To consult businessmen on issues accumulated	1. <b>Knowledge</b> on determining

determine the efficiency indicators of enterprise performance according to the stage of its life cycle.	by them after the previous seminar. 2. To determine target and standard levels of efficiency indicators of the enterprise using the characteristics for the concrete stage of its life cycle. To calculate the efficiency gap of each indicator. 4. To offer businessmen to: a) reflect on what they acquired in the course of the seminar and b) prepare questions on the theme and topics considered in seminar Nr. 4 for the joint discussion and getting consultation in the beginning of seminar Nr. 5. 5. To give idea on seminar Nr. 5.	efficiency indicators of an enterprise performance. 2. <b>Skills</b> of applying this knowledge determining the efficiency indicators of their enterprise according to the stage of its life cycle. 3. Responsible, reforming and active <b>attitude</b> towards the business problems of their enterprise.
<b>Seminar Nr. 5 “The elaboration of compensation mechanism for sustainable performance of an enterprise”</b>		
To train businessmen to elaborate the compensation mechanism for securing sustainable performance of an enterprise.	1. To consult businessmen on issues accumulated by them after the previous seminar. 2. To discuss topics connected to sustainable performance of an enterprise and elaborate a mechanism for ensuring it in the concrete enterprise. 3. To recommend businessmen specialized information sources for deeper analysis of problems in their enterprise. 4. To offer businessmen to reflect on what they acquired in the training cycle of the five seminars.	1. <b>Knowledge</b> on compensation mechanism for securing sustainable performance of an enterprise. 2. <b>Skills</b> of creating of compensation mechanism for securing sustainable performance of an enterprise. 3. Responsible, reforming and proactive <b>attitude</b> towards business problems and confidence in possibility of finding appropriate solutions in different stages of enterprise life cycle.

#### 4. CONCLUSIONS

The pilot project “The development of training methodology for sustainable performance of SMEs on the basis of enterprise life cycle” conducted in four Latvian enterprises revealed:

- the potential and perspectives of this approach for overcoming hindrances on the way of sustainable performance of enterprises in the contemporary conditions of economic crisis in Latvia;
- the feasibility of broadening the scope of enterprises where this training approach could be applicable both in Latvia and in other countries;
- the significance of conducting a more extended research encompassing all the three groups of the participants of the consulting-based entrepreneurship education – 1) businessmen, 2) consultants (academic staff) and 3) students for strengthening the ties among enterprise performance and entrepreneurship teaching and learning in higher educational institutions.

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