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BEST PRACTICES HANDBOOK FOR SMEs

Castellbisbal
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Matadepera
Olesa de Montserrat
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Rubí
Sant Cugat del Vallès
Sant Llorenç Savall
Terrassa
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Cambra de
de Terrassa

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Best Practices Handbook for SMEs

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Origin of the Best Practices Handbook for SMEs

During 2006 and 2007, the Cambra de Comerç I Indústria de Terrassa developed the Comprehensive Improvement Strategies Programme for SMEs, to boost business projects in the growth phase, offering them solutions that help them to successfully pass through this stage and consolidate their businesses.

La Cambra (Chamber of Commerce) has received support for the project from CIDEM (*Centre d'Innovació i Desenvolupament Empresarial*, or Business Innovation and Development Centre in English) and was included in the 2006 SME Consolidation and Competitiveness Plan.

When designing the Comprehensive Improvement Strategies Programme for SMEs, the Cambra de Comerç de Terrassa took into account that the management of an SME always presents the same problems, regardless of the sector of activity to which it belongs.

These problems arise, partly, because the size of these companies prohibits the specialisation of job positions, so the manager has to be responsible for all management and even operational tasks, often without the necessary training.

The daily running of a company, along with its urgent demands, means that they choose and manage both the human and material resources in a rather unplanned manner. This causes an erratic policy that generates a lack of control, in terms of both costs and human capital.

There are often no shared objectives within the company and no basic indicators: therefore, decisions are made upon the basis of intuition, rather than real parameters.

The aim of this handbook is to help SMEs become highly competitive, so they can consolidate themselves in an increasingly dynamic and demanding market, as well as to advise them on the management of their business activity.

This Handbook on Best Practices for SMEs is based upon the experience gathered during the development of the Comprehensive Improvement Strategies Programme for SMEs, to help you reflect upon your business project.

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Description and Current Context of the Business Sector in the Cambra de Terrassa's Area of Influence

99.95% of the Spanish business sector is made up of SMEs: 93.95% of these are micro-businesses with less than nine workers. Another statistic to be taken into account is that 51% of SMEs have no salaried employees and this trend is growing.

Type of Company	Number of Employees	Current Turnover
Micro-Enterprise	< 10	< €2M
Small Enterprise	<50	<€10M
Medium Enterprise	< 250	< €43M

Table 1: Definition of micro-, small- and medium enterprises. Source: European Union 2006.

	Micro-Enterprises		Small	Medium	Large	Total
	Non-Salaried Employees	Between 1 and 9 Employees	Between 10 and 50 Employees	Between 50 and 250 Employees	More than 250 Employees	
Number of Enterprises	1,616,883	1,365.203	164,195	26,362	1,750	3,174,393
Percentage	50.94%	43.00%	5.17%	0.83%	0.06%	100.00%

Table 2: National breakdown of enterprises according to number of employees. Source: Instituto Nacional de Estadística (INE), 2006.

Diagram 1: Breakdown of enterprises in the La Cambra region by sectors. Source: Cambra de Comerç i Indústria de Terrassa, 2006

This definition of the business profile coincides with the existing business sector in the Cambra de Comerç i Indústria de Terrassa's area of influence, which comprises the municipal areas of Castellbisbal, Gallifa, Matadepera, Olesa de Montserrat, Terrassa, Rubí, Sant Cugat del Vallès, Sant Llorenç Savall, Ullastrell, Vacarisses and Viladecavalls.

This type of profile struggles to face up to the new market situation, which never stops evolving and demands increasingly specialised, competitive products. Management models have changed and the rate of business transfers and/or closures has accelerated in response to globalisation and falling profits. This situation means that 90% of all new enterprises fail in the first three years and only 2% manage to survive the five-year threshold.

Despite the great efforts these companies must make to survive and position themselves in the market, once they do so, they face a new problem: how to approach their business development with a view to growth and consolidation.

In recent years, businesses have generally grown, favoured by the good economic situation existing in the developed countries.

Although it is true that this economic bonanza may fluctuate over time, it is also true that a good level of business growth is generally being maintained. However, SMEs must respond to the need to develop an intensive business activity, often lacking the necessary level of control over management and results. In recent years, as a result of high levels of demand and large volumes of production, SMEs have prioritised their productive/operational activities to the detriment of their resource optimisation and management control.

If a company manages to increase its activity, the precariousness of its management system will inevitably start to surface, manifesting itself through errors in production and in the pre- and after-sales system, internal and external communication problems, lack of motivation among employees, unsatisfactory customer services, etc. Many of these problems are not a direct consequence of neglect, but do stem from other internal factors.

Who the Handbook Is For

The Handbook on Good Management Practices has been written for micro-, small and medium companies that are currently experiencing a process of growth and want to successfully pass through this stage, with a view to consolidating their business.

We have omitted large businesses from this study, as their problems are considered to be of a different nature, as are their characteristics.

The SMEs may belong to any sector of activity, as the good practices described herein constitute the basic pillars of good business organisation, unrelated to any specific sector of activity.

SME Managers

SMEs revolve around products of which the company founder has a perfect understanding. However, this person frequently has no specific training in business management.

When it comes to managing their company, an SME manager is self-taught and learns through a process of trial and error, which means that their knowledge comes at a price.

A time inevitably comes when the founder of the business has to decide whether to assume the role of manager or continue performing the more technical tasks that s/he is really familiar with and prefers. A manager's day-to-day work often involves troubleshooting, solving unexpected incidents and urgent matters. These situations mean they often lose sight of their main purpose, such as thinking about the direction in which they want the business to evolve, setting objectives and designing a strategy in order to achieve them.

Managers very often get the feeling that something is not going quite right in their companies, due to a lack of time or resources, a poor job market or, sometimes, a combination of all three.

Based on the experience La Cambra has gathered from its relationships with SMEs, it has been able to show that the managers of these companies are often unaware that most of their day-to-day problems are the same as those faced by most other company managers.

The SME of the Future

La Cambra believes that SMEs have great potential and that, given the right tools, they should be able to consolidate themselves as companies of the future.

Companies should have a clear vision of their business project and about how they want to progress in the medium- and long-term. They must define a strategy for achieving their objectives, knowing which human and material resources they need and how to obtain them.

Companies must grow to an appropriate size in order to implement their business projects. A company that does not set itself new goals will eventually disappear. However, a company must not only grow in size: profitability can be increased through improvements to management, production or quality, becoming more efficient from an environmental point of view or through international expansion.

A company consists of teams of people led by the manager, who must plan the future of the company. They need tools that allow them to make decisions based on objective information, rather than intuition.

To minimise the impact of the continuous evolution of the markets, instruments are required that allow us to anticipate changes and use them to our advantage, as opportunities.

The entire organisation must be customer-focused. Customers are the company's raison d'être and therefore their needs must be understood, how the company can help them and what they value in the company.

Each of the company's departments works for the customer, even if they do not seem to be directly related. A company must ask itself what each department can do to improve customer relations, whilst adding more value at the same time.

An advantage of SMEs is their capacity to react quickly. They are agile, flexible and close to their customers, i.e. they can constantly adapt to the specific needs of these customers.

To become known among customers, an SME has to work hard at developing their own brand, which will be recognised by customers as a symbol of quality that distinguishes their products and services from the rest.

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Organisations must grow at the same pace as the personal and professional growth of the people within it. Creating a good working environment and providing workers with an attractive project will have a positive repercussion on the company's balance sheet.

A good human resources policy that encompasses such aspects as communication, ongoing training, career development and talent management, among others, is essential.

Nowadays, SMEs must consider the whole world as a potential market. SMEs may face competition from any location in the world. Therefore, as we must respond to the difficulties of this type of situation, we must prepare our companies to compete at an international level, as well as to benefit from the related advantages.

Innovation, not only in technology, must be a driving force for the constant growth of businesses.

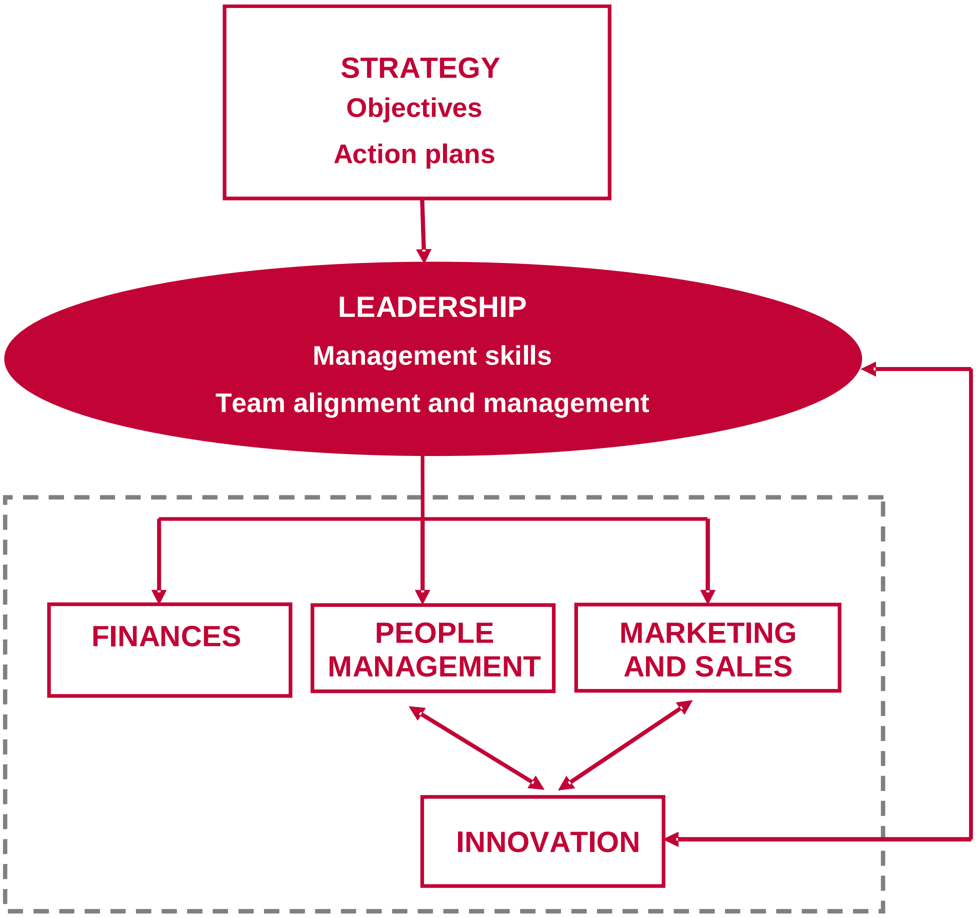
Business Management Key Ideas and Tools

The five key areas that must be considered in order to achieve the efficient management of SMEs are as follows:

- Strategy
- People Management
- Finances
- Marketing and Sales
- Innovation

These five key areas have been chosen because they are fundamental, cross-cutting and common to all businesses. Other business areas should also be considered, such as supply management, quality management, logistics, operations, the environment or facility management, all of which are very important, but we believe they should be approached once the five key areas are under control and well-managed.

In addition, a balanced scorecard is necessary for correctly managing and controlling the company's principal management areas.



BALANCED SCORECARD

Strategy

The word "strategy" is related to the words "triumph" and "success" and therefore it must be closely linked to the word "company". This can all be interpreted to mean that for a company to be successful and to consolidate itself over time, it must have a well-defined strategy.

STRATEGY:

"A strategy is the pattern or plan that integrates an organisation's major goals, policies and action sequences into a cohesive whole. A well-formulated strategy helps to marshal and allocate an organisation's resources into a unique and viable posture based upon its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents."

James Brian Quinn, "Strategies for Change: Logical Incrementalism", 1980.

"Strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue."

Kenneth Andrews, "The Concept of Corporate Strategy", 1971.

It is essential that companies should first define their mission, vision and values. These will define their business culture.

MISSION:

This is the organisation raison d'être, in other words, its statement of intent, which justifies its existence. It defines the area of activity in which it competes.

VISION:
This is the image of how the company sees itself in the future and its long-term positioning. It expresses the desired direction in which the company will be steered and where it wants to get to. It is the organisation's main objective.

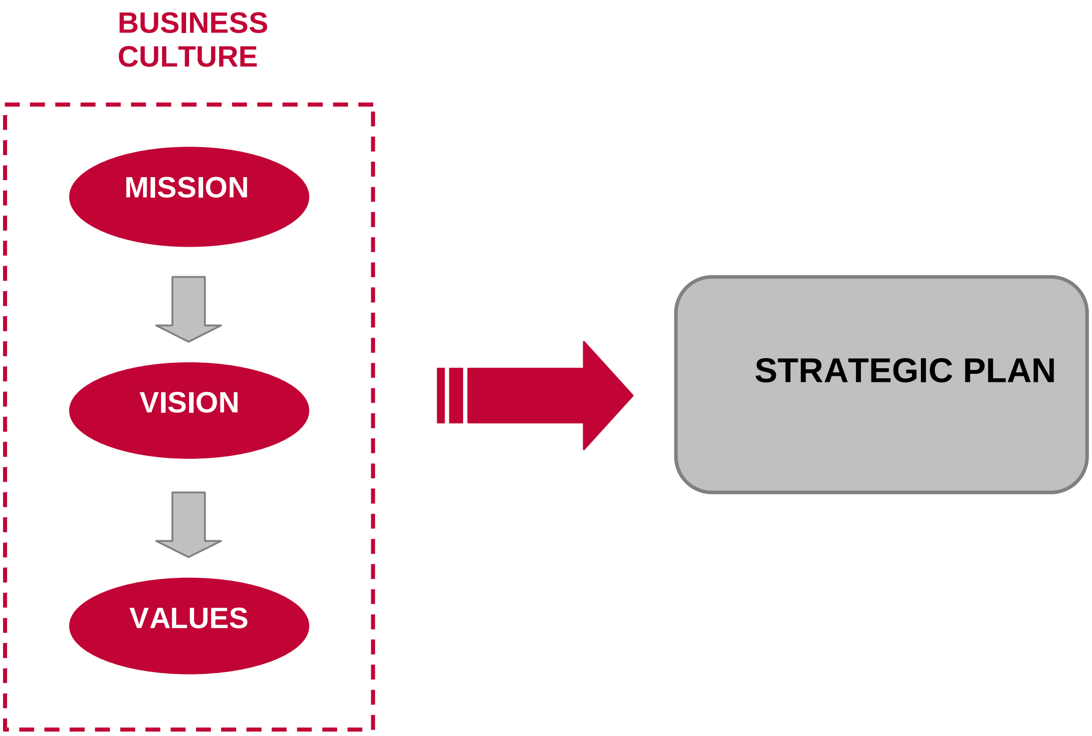
VALUES:
These are the foundations of the organisation. They govern the behaviour of the people in the organisation in any situation.

THE BUSINESS CULTURE:
This is the set of beliefs and values that define the way we behave within the business organisation and in our relationships with the world around us. The business culture determines the way we react to the different situations or problems the company may encounter. The culture should define the direction and transmit this to the entire organisation, so that everyone internalises and adopts it.

It is advisable for a company to set out its business culture, strategic plan and marketing plan in written documents.

These tools define our short- and long-term objectives, how we intend to achieve them and how we envisage our company in the long-term.

STRATEGIC PLAN:
This is the set of key actions that the organisation must perform, with a view to implementing the strategy.



MARKETING PLAN:

This is the set of actions that tell us how to achieve our established medium- and long-term business objectives.

It is also recommended that the manager be specifically trained in business management and team leadership. In most SMEs, the managers are not trained to perform their management tasks in a professional manner.

People Management

Today's social and economic situation calls for organisations that are capable of confronting new business and human challenges. In today's complex world, with universal access to capital and technology, people management skills are vitally important. We must know how to draw out the potential and resources of people to use them as a competitive advantage.

The interdependence between the company's objectives and people development objectives must be encouraged and people must be guided towards developing the critical variables that determine success and their involvement with the business projects. In our competitive environment, success depends on people's commitment to these objectives.

A good indicator for evaluating a company's involvement in human resource management is to check whether the company has:

- An Orientation Manual for new employees.
- A written description of the job positions and their responsibilities.
- An ongoing training plan and professional career plans.
- Systems for attracting and retaining talent.
- Internal communication systems.
- An established remuneration policy.

Finances

Before making financial decisions, it is necessary to have and analyse information about the company's financial situation. Based on this analysis, action plans can be drawn up, with a view to guaranteeing the financial viability of the company and optimising its profitability.

There is no doubt that a good economic and financial situation is always essential to the sustainability of a business project, but for those companies that are starting up or in the growth stage, it is vital they know their financial situation and track the progress of their economic indicators, because this allows them to define their objectives according to the company's investment capacity and the lines of funding they need to achieve them.

The definition of a series of financial indicators will allow a company to derive the maximum performance from available resources and analyse the economic impact of its operations. These indicators must also allow companies to identify the extent to which they make decisions based upon objective information.

Most companies have only basic information about their finances and accounting matters, consisting of the report and accounts that must be submitted to the Commercial Registry to satisfy the company's accounting obligations. They are not aware of the great potential of a good management tool.

Financial problems are a sign of the deeper problems affecting a company. In many cases they are the consequence of an unsuitable strategy, a poorly-defined sales policy, a lack of innovation or people management, all of which cause businesses to function inefficiently.

Improved decision-making on financial matters can translate into optimum business results. To analyse the financial aspect of a company, the following information should be available as a minimum:

- Operating accounts prepared for each production centre or product or service line.

A company must have an operating account for each production centre, product or service line, which will show their profitability and allow decisions to be made upon the basis of specific, objective information.

OPERATING ACCOUNT: Report on the financial results of the company, including a breakdown of the nature of the income and expenditure. It analyses the margins produced according to the income and expenditure of each line of business. Every product line or production centre has its own specific operating account to determine the profitability of each.

- Cash Management Scorecard

A cash management scorecard allows the company to see its cash flow and optimum payment and collection periods.

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CASH MANAGEMENT SCORECARD: This tool allows the company's short-term liquidity (maximum one year) to be determined. It contains all the payments and collections to be made in a period, in order to analyse if all the payment obligations can be met and to optimise the collection periods. To obtain its objective, it is important to use a short period for the analysis, because the longer the period, the more difficult it is to obtain maximum reliability.

- Financial indicators in the Scorecard.

Companies must define the ratios that allow them to control the key aspects of the company's finances, in the scorecard.

The usual ones are: liquidity, debt, asset turnover, performance (for example, profits on sales), etc.

SCORECARD: This is a control tool that provides information about the progress of a company's basic parameters, in other words, it gives the manager a view that encompasses all areas of the business. If it is a balanced scorecard, it can also be used to monitor compliance with the company's strategic objectives and, depending on its evolution, for making future decisions.

- Working capital control tool.

A tool for monitoring the available working capital that assists decision-making about the purchase or sale of assets, financing conditions or debt renegotiation.

When companies do not know how much working capital they have available, neither do they know their real economic position. This means they cannot optimise their investments or anticipate any future financial problems. Using a management tool allows them to anticipate future problems and take decisions to avoid them.

WORKING CAPITAL: This is the difference between current assets and current liabilities. In other words, the difference between the company's current equity or goods (for example its stock, products in progress, customer debts, available balance, etc) and the debts due within one year (such as, for

example, suppliers, trade creditors, advance payments from customers, tax, social security, etc).

- Invoicing and Accounts Management Programme.

It is important to have a standard or customised management programme that helps control invoicing and book-keeping and assists the obtainment of basic data in order to analyse the company from the financial point of view.

The most important aspect of this section is to draw attention to the fact that some companies function without the most basic management tools, such as the periodic preparation of the profit and loss account or the drawing up of balance sheets in order to analyse the various liquid assets and their financing, thus helping them to understand their financial situation and make decisions.

The paradox is that, although a lot of companies have account management programmes, most do not use them to extract the information they need in order to understand their financial progress and allow them to make decisions.

One of the reasons for this is that small companies normally outsource their accounts management to subcontractors and these services are limited to the preparation of quarterly tax declarations and annual accounts for the Commercial Registry, not including a business progress analysis.

Therefore, it may be concluded that on many occasions decisions are made intuitively rather than based on objective data, because managers are immersed in the daily running of the company. This increases the risks involved in decision-making and, therefore, more mistakes are made.

When a company has financial control tools, it can significantly improve the profitability of the company's operations.

Marketing and Sales

Our environment has undergone a major change and companies must adapt. This notion must be taken into account when making decisions about positioning products and services in the market. It is no longer enough to make isolated decisions that are not part of a well-designed and defined positioning strategy, which is necessary for developing a consistent and consolidated business.

It is essential for a company to know its customers and to be clear about the market segment they want to appeal to. They must be able to create an impression that makes their products stand out in their customers' minds.

To define the customers and the desired positioning of a company, an analysis and understanding of its market is first required. In the current setting, a strategy that does not focus on the desired objective and that does not rule out non-priority markets will be unsustainable over time, because companies have limited resources, which is why their efforts must be strictly directed towards their chosen market segments.

Businesses must create a competitive advantage for their products and services. In other words, they must offer their customers' some kind of perceivable added value and it must be difficult for competitors to copy their products or services. When speaking of competitive advantages, this also includes the great importance of orienting a company towards the real needs of the customer, rather than the needs of the organisation.

Once the company's positioning is settled, a sales strategy must then be determined to raise awareness of the products, establishing and consolidating the necessary sales teams and determining the distribution channels.

One of the most important points to highlight is that companies that have achieved a competitive advantage for their products or services did not do so by chance, but as a result of an internal process in the company.

A company must have a marketing plan, a sales plan and an A to Z classification of its customers, allowing it to determine which ones to focus its sales activities on and which ones lack the appropriate profile.

Innovation

Innovation is one of the most important aspects that a company should strengthen to allow it to survive in a highly changeable, competitive environment. Increasingly specialised, differentiated products and services are required, together with a growing level of added value. Customers are more demanding as a result of globalisation and the expanded range of products available. In this context, it is essential to approach strategy from a customer-oriented and market-oriented perspective, and not exclusively from the viewpoint of the product or service.

Most companies are not accustomed to working in this new culture and do not look upon innovation as a fundamental strategic area for their businesses. Moreover, many of the companies that are starting to show some interest in this matter still consider innovation to be an expense rather than an investment, making it difficult to integrate a stable innovation process in the company.

Companies should appoint an innovation manager, even if this is a part-time position, to coordinate and drive all activities related to this aspect: the direction in which the company's sector is evolving, what's new, how to manage know-how in the organisation, how to manage innovation projects and how to encourage new ideas throughout the organisation.

The Boston Consulting Group (BCG) Matrix provides a clear view as to whether an organisation should launch new products on the market and, if so, how often.

BOSTON CONSULTING GROUP MATRIX:
Links a company's products to the annual market growth rate and relative market share. Allows the classification of products or services into those that are priorities, for both the market and the organisation, and those which should be ruled out because they are not interesting to either the market or the company.
To ensure our products and services are priority ones, a constant process of innovation is necessary to improve them and design new ones.

Innovation is not a core strategic area for most SMEs. They face a lot of difficulties when incorporating innovation into their processes, sometimes because it is impossible to assign resources and other times due to the absence of a culture of innovation.

There are many companies that consider themselves extensions of multinationals and that aspire to work as their subcontractors, applying the methodology, design and know-how that the multinational gives to them. As a consequence, they do consider it necessary to have their own product brand and designs to differentiate them from the competition and so they only compete on prices.

In other cases, companies develop innovative technology, but introduce it without considering their customers' current needs and whether the new product will satisfy these or if there is technology already existing in the market that will cover them. Added to this, a lack of resources, in other words qualified professionals, hinders the research and development process. Also, when the time comes to launch the product onto the market, there is often no marketing policy in place and, therefore, no strategy or action plan to publicise, advertise or distribute the product.

Another aspect that should be considered is whether any Research, Development and Technological Innovation (RD&i) support programmes are being offered by government agencies to companies, which include collaboration programmes between Technology Centres, Universities and Companies, tax deductions, grants or subsidies for RD&i.

Balanced Scorecard: An SME Management Control Tool

The balanced scorecard is a tool that contains the indicators for controlling a company's main management areas.

The balanced scorecard must be tailored to each company, because each company is in a different situation. Specific parameters must be defined and data gathered on a regular basis to obtain a historic record that will enable the company to understand the trends affecting these parameters at all times and evaluate the results of all actions taken.

Some of the parameters controlled should include the profitability of the different lines of business, productivity, budgetary control, costs, stocks, customer satisfaction, etc.

A balanced scorecard should include all the indicators a manager considers essential for exercising effective control over all aspects of interest to the company. However, only those parameters that are really necessary should be recorded, to prevent the data collection process from becoming a burdensome, interminable task. Companies cannot afford to gather excess information, or to leave out tangible aspects that add value to their products.

As all the indicators are governed by clear parameters, the company can always analyse its situation using the same criteria, focusing on indicators that have experienced a variation in trends according to the analysis.

The indicators should be as simple as possible and must be effective, so that an alarm is raised when an anomaly arises, so we can determine its cause.

To summarise, the idea is to have useful information that is identified, structured and easy to locate, which can be analysed and used to guide decisions.

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Reference Models and the 12 Key Success Factors for Businesses

Now is a good time for encouraging innovation in SMEs. Until recently, innovative efforts were focussed on the operational process, for designing new products and services to sell. Many companies that followed this path did not see their efforts translated into added value for their customers.

Instead, we must concentrate on aspects that, until recently, were not sufficiently strengthened in SMEs, but that are now considered essential to the innovative capacity of organisations. This approach is based on recognising that business management practices are changing and which strategies can be adopted in an SME context to satisfactorily respond to the new demands of very competitive and volatile, globalised markets.

To do this, the analysed topics may be grouped into two main areas:

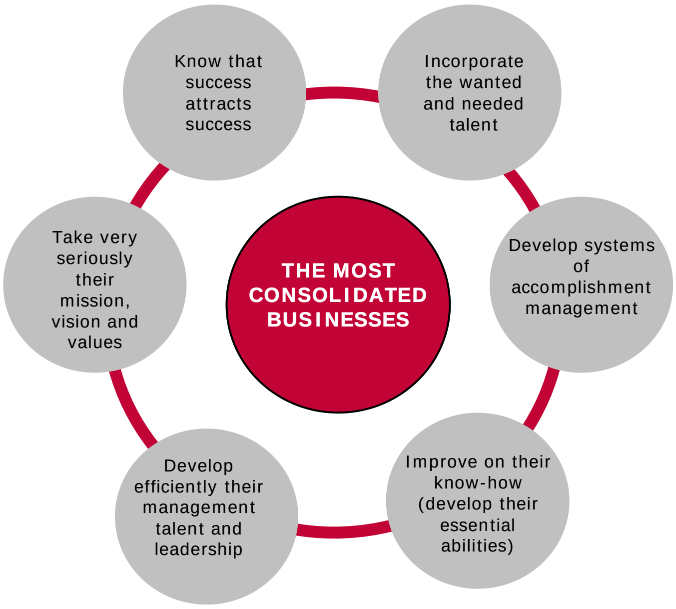
- New sales strategies based on giving added value to customers.
- Management and Leadership Tools for Innovation.

To contribute to the participation and contemplation of these two aspects, which are often undervalued by SMEs, especially in regards to Management and Leadership, a benchmarking exercise must first be carried out on best practices in the company's Management area. We must focus our attention on the same factors that are taken seriously by the companies obtaining the best results, taking advantage of the opportunities offered by the current business context.

This type of analysis allows entrepreneurs to compare their organisations with other, successful models.

To do so, we will look at the aspects that characterise two different types of successful companies.

a) The most consolidated businesses.



b) The businesses that grow the best:

Based on this comparison, the best organisational and human resource management practices have been identified.

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Factor 1: Internal Success Attracts Successful Customers

Many years ago, common sense had already dictated that the happier employees are in an organisation, the greater the effort they will make to satisfy their clients. Nowadays, customer satisfaction is a key aspect of competitiveness.

These days, we are lucky that serious research has already been carried out on this subject, thus raising awareness on this matter among companies and managers. A formula for quantifying this relationship has even been worked out, based on the results of numerous research studies. A one per cent improvement in the emotional climate of the team leads to a two per cent increase in income.

Therefore, the employees' evaluation of a company is not only a good indicator of the degree of customer satisfaction, but also influences the company's performance. Equally, it is important to stress that low morale and lack of motivation are also excellent indicators of work performance.

In addition, we all know that markets are fundamentally conversations. Information is being exchanged all the time. Because of modern information and communication technologies, these conversations are increasingly universal. Internal stories and situations are transmitted outwards. Does your company have anything attractive to tell the outside world?

Lastly, on this subject, it should be pointed out that the latest advances in neuroscience have revolutionised the way businesses and customer relations are managed, etc.

Factor 2: Attracting the Talent We Want and Need

Talent is a combination of various key elements: capacities and skills, attitude and action.

Companies are trying to attract talent, which is unfortunately a rare resource and that is why they also want to retain it. Numerous strategies can be adopted to make companies more attractive. These strategies should focus on three areas:

- *Individualisation.* Everyone is different. Management needs to dedicate more time to people, convinced that this time is well invested. It is necessary to understand their interests and needs. Once their concerns are understood, action should be taken.

- *Develop Strengths.* Each person should work based on his/her strengths and not on his/her weaknesses.

- Pull together via a shared idea, a clear identity, providing incentives to promote the desired behaviour.

Factor 3: Rigorous Compliance Management

Another key factor is the system used to assess the performance of employees in an organisation. There are currently many people who do not know how well or badly they are doing their jobs. Being close to people, acknowledging good work and correcting mistakes is essential.

Many companies are still not doing this systematically today and they only take action when the situation has become difficult, to say the least. This system should also be institutionalised throughout the company. All senior and middle managers should do this in a standardised manner, using the same monitoring and assessment tools. If this does not happen, isolated groups will be created and each department will go its own way. Will this situation cement the team?

If a compliance management system is to function, it must be based on a relationship of trust, an asset which is very difficult to attain and very easy to lose. Therefore, the behaviour of managers and supervisors is of prime importance. In many organisations, collaboration and trust are replaced by fear. Fear-based management significantly depletes staff energy and motivation levels, which are vital to the survival of a competitive business.

Factor 4: Effectively Develop Management and Leadership Talent at All Levels

All the factors we have discussed so far show that management talent and know-how are essential for managing teams of human resources. The most highly respected companies make great efforts to ensure that their team leaders have the skills and abilities they need to perform their work to perfection. An unsuitable leadership style causes numerous problems related to business performance, customer satisfaction and results.

Moreover, nowadays businesses seek out people with leadership qualities. People are hired today based on their attitudes. Companies with a future seek proactive team players with initiative. They want people who look to the future with a positive, optimistic attitude, that are capable of thinking up new ideas and can cope with frustration. How can these attitudes be strengthened in an organisation?

This energy stems from the emotions. How do we obtain this emotional climate? People's creative and innovative initiative depends on this emotional climate.

Factor 5: Take Mission, Vision and Values Seriously

A definition of the company's raison d'être (Mission), its set objectives (vision) and how it will work (values) has become a key factor for motivating people today.

The basis of these new business management initiatives originates from the contributions of Viktor Frankl. It is worth observing the impact of knowing why a company does things, giving meaning to the activities it carries out.

When people cannot find meaning, their basic energy for functioning, which emotion provides, disappears. Without emotion there is no action, and without action there are no results.

Factor 6: Improve What We Do Well (Essential Competencies)

This concept stems from the contributions of Hammel and Prahalad, who suggest that managers, rather than seeing the organisation as a set of business units, should view it as a set of essential competencies or attitudes and technologies that allow some benefit to be offered to the customer.

Therefore, identifying our strengths and designing the strategy in relation to these is a distinctive feature of companies that maintain their market position. Losing sight of these strengths to embroil ourselves in projects and strategies based on aspects in which we do not excel is risky in the short-term and dangerous in the long-term.

Factor 7: Use a Competency Model for People Management Processes

The most competitive organisations have well-defined competency profiles for each job in the organisation. How does the competency model help the company's employees?

Workers with competency profiles know what is expected of them, which is a key element for competitiveness.

The most effective strategy for drafting these profiles is to construct the model in collaboration with the team, because the functionality of this tool depends on the motivation and commitment of the people within the organisation.

This competency profile is applied to the main human resource management processes.

Factor 8: Culture of Discipline and Individual Responsibility

The business culture is a key element for understanding the way people behave in an organisational context.

Therefore, there is a series of key values that companies must know how to communicate and introduce in the company. Introducing these values depends first and foremost on the example set by the management team and line managers.
Secondly, their introduction depends on the training generated.

Companies with the most solid growth base their culture on responsibility (no excuses accepted) and discipline (people focused on what is best for the organisation).

Factor 9: Coherence Between the Business Model and Technology Used

It is very important for this type of company to provide people with the technology they need to implement the business model that the company has defined.

Technology does not only mean electronic devices: technology also means knowledge. Therefore, training and communication are key factors for competitiveness. For this to work, management must take team training into consideration when planning the implementation of the strategy.

How often do companies come across problems of untrained staff after the project or action plan has already started?

Factor 10: Develop Underlying Functionalities

Companies with the most solid growth have clearly identified and defined what elements allow them to hold onto their customers.

Once these have been identified, the company can base its business policies on factors that satisfy and increase loyalty among customers.

Not knowing why customers choose to buy from a particular company creates uncertainty when thinking about how the company will evolve, putting it in a weaker position than its competitors.

SMEs can make the most of their strength compared to big companies: their closeness to the customer. To make the most of this, the company must know which aspects of the product customers value and which aspects could be improved. A lot of organisations fail to take this information into consideration and do not take advantage of their closeness to the customer.

Factor 11: Focus Attention on the Details with Internal and External Customers

Companies with the most solid growth know that the key lies in working to achieve customer satisfaction. Satisfaction is achieved by taking care of the details.

Generating a good impression also means focusing efforts on taking care of the details with internal customers, the people who work within an organisation. Efficient team management is a basic requirement for generating positive impressions. That is why people management is so important.

Companies that do not take care of the details with their internal customers will struggle to satisfy their external customers. There is no loyalty without satisfaction. A loyal team of workers must be created so that they, in turn, give external customers a positive impression based on their behaviour.

Factor 12: A Positive Atmosphere Created By Charismatic Leaders

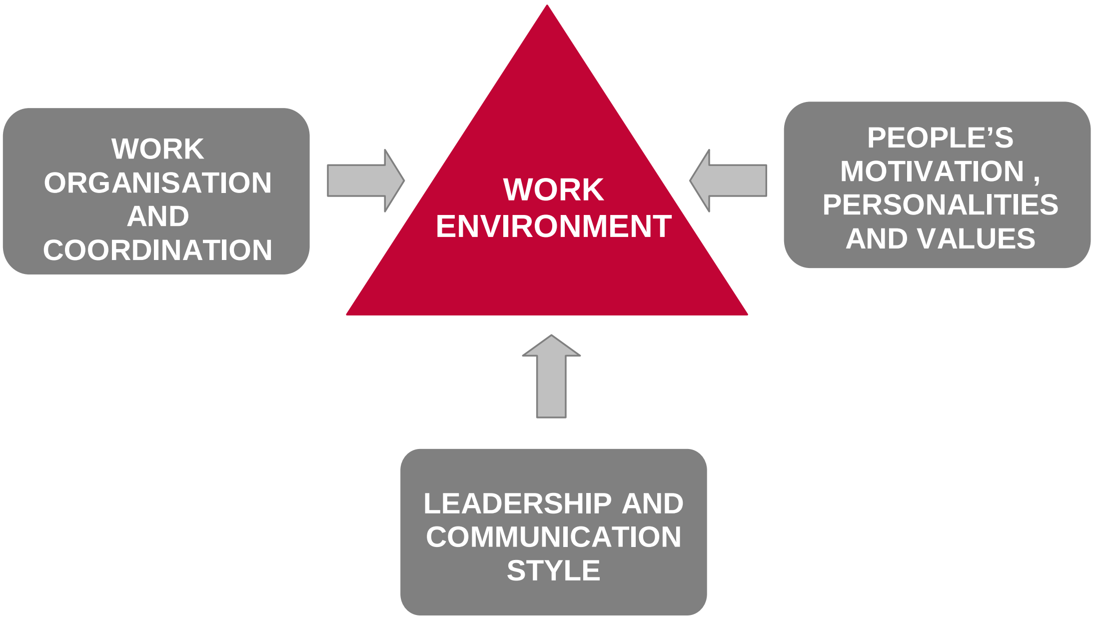
Related to the previous point, the workplace environment should be a priority on the management agenda.

The factors that have a key impact on atmosphere are:

- **WORK ORGANISATION** (Coordination).

- **MOTIVATION**, PERSONALITIES AND VALUES of the people in the team.

- **LEADERSHIP AND COMMUNICATION STYLE** (This factor is responsible for between 50 and 70% of the atmosphere). This is a key area for improvement in businesses.


WORK ORGANISATION AND COORDINATION
WORK ENVIRONMENT
PEOPLE'S MOTIVATION , PERSONALITIES AND VALUES
LEADERSHIP AND COMMUNICATION STYLE

The conclusion that can be drawn after analysing these 12 factors is that the people in an organisation are the basis for competitiveness and innovation. Without an entrepreneurial attitude, there is no innovation.

Conclusions

In recent years, companies have experienced a change in the business environment, which is becoming increasingly complex, changeable and competitive. This change means that companies must continuously adapt if they are to consolidate themselves and expand their activities. Because of this, SME management systems must evolve, giving special emphasis to fundamental aspects that did not receive sufficient attention until very recently.

This Handbook on Good Management Practices is based on two business models: “the most consolidated companies” and “the companies that grow best”, which make the most of the opportunities offered by the current business setting and obtain the best results.

The key success factors that characterise these two different types of companies have been defined on the one hand and, on the other, the five basic business management key ideas that must be taken into account by both business models:

- Strategy. The company’s mission, vision and values must be defined in advance, to determine the strategy that must be followed. Once the strategy has been defined, an execution plan must be drafted for its implementation.

- People Management The people in the organisation are one of the indispensable pillars that allow it to implement the strategic plan. Therefore, it is important to know how to use people’s potential and resources as a competitive advantage.

- Finances It is essential to have the necessary financial information for understanding a company's evolution and for making decisions. All decisions involve some degree of intuition, but this should be at a minimum. Decision-making should be based on objective data, thus reducing the risk involved and the error rate.

- Marketing and Sales Companies whose products or services have a competitive advantage achieve this through internal business processes. It is never down to chance. In other words, it is vital to have a sales and marketing plan.

- Innovation Innovation is a basic strategic area, which must be strengthened if a business is to survive in the current business setting. Increasingly specialised, differentiated products and services are required, with higher levels of added value.

Nonetheless, it should not be forgotten that the key to success for all organisations lies in their human resources. The competencies contributed by human teams are differential factors, which is why encouraging employees' involvement is one of the best ways for making a business project grow.