

**„LUCIAN BLAGA” UNIVERSITY SIBIU
THE FACULTY OF ECONOMIC SCIENCES**

**PHD THESIS
SUMMARY**

**THE COORDINATES OF THE SME
DEVELOPMENT AND THEIR POSITION IN THE
CONTEMPORARY ECONOMIC SYSTEM**

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2013

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Key words:

SME, entrepreneurship, business internationalization, foreign markets, resources, business environment

SUMMARY

Small and medium-sized enterprises (SMEs)- the „vertebral column” and the „motor of national economies”- represents, according to many statistics, the most important source of economic growth in both the developed countries and in the developing ones. These organizations became increasingly important in the contemporary society due especially to their well-known attribute of offering jobs for the population. To the local and regional communities where they activate, SMEs are key elements regarding the wealth of the people, but they are also important social stability factors.

The importance of SMEs increased especially after the 1970's, and in the 80's they met an extraordinary expansion, their weight increasing significantly in Europe, as well as in the USA and in Japan. Even so, SMEs have always faced different pressures:

- ***Competition*** – new firms entering the market intensify the competition and create problems to already existent companies; it is therefore normal for these to protect themselves, defend their position by raising barriers for the newcomers.
- ***Legislation*** – even though SMEs represent a priority to all states around the world, often the laws aren't quite friendly and they don't protect them enough
- ***Limited financial resources*** – SMEs have limited financial resources, this is why they are in a continuous search for these
- ***Difficulties regarding human resources***– protecting the limited financial resources determines SMEs to orient towards personnel resources as cheap as possible.
- ***Excessive taxes*** – tax regulations, many and onerous, suffocate the SMEs, who, especially in the first years, undertake big efforts in order to survive

To all these add, starting with 2008, a new factor that did not only intensify the difficulties of the economic environment which already existed, but created some new ones: the global economic and financial crisis.

The world economy develops in an alert rhythm, becoming more complex than ever and generating major changes in the structure of all national and regional economies. It is obvious that the contemporary society is crossing a double transition: towards a lasting globalized

development on one side and towards a society based on knowledge in the other. In the context, SMEs can assume important roles for the well-functioning of the market mechanisms.

SMEs represent the main socio-economic development force, but also the most numerous sectors of enterprises from any country with a market economy. The most important attributes which make SMEs so special within an economy are the following; they generate most of the GDP of every country; they offer the most jobs; they are the main promoters of knowledge-based economy.

Even if in Romania SMEs don't have yet the business maturity of other European countries, we can notice in the last years an ascending trend of their development- resulted from the converging efforts of entrepreneurs and public organisms. The asymmetric development of the Romanian economic regions led to an industrial and services concentration in the urban areas and their surroundings. Therefore, big cities became nuclei of the economic activities from their area.

Such an economic concentration area is the Sibiu region, which polarizes most of the activities, both of political and administrative nature and economic. Having a long commercial tradition, Sibiu can be considered a historical bridge between the East and the West. The peaceful cohabitation between Romanians and Saxons led to tight economic relations with Germany and Austria, which, even though they were muffled by Communism, flourished and developed rapidly in the last 20 years.

Having the advantage of the strategic positioning in the center of Romania, Sibiu offered benefic development conditions to industrial activities as well as to connected ones (services, transportation, trade facilities, etc.). The infusion of German capital led to the creation of a regional and national competitive advantage as to what regards research and development, know-how, operational and management technique, etc.

Taking all these into account, I think that another study which deals with the problems of SMEs can only be beneficial. The paper "*The coordinates of the SME development and their position in the contemporary economic system*" has as general objective the argumentation and funding of the situation of small and medium-sized enterprises in the economy, synthesizing the latest research in this field. An extremely important aspect of the evolution of SMEs is connected with

their internationalization activities, which are deeply analyzed, starting with their general characteristics and getting to the specificities given by the location of the firms in Sibiu. Particularly, the paper studies the current SME situation from Sibiu and their lasting development perspectives. Reaching the objective implied going through the following research stages:

- Synthesizing the theoretical approaches of the entrepreneurial notions, SMEs, business internationalization
- Researching the current situation of the SMEs in Romania and the European Union
- Identifying and researching the SMEs' problems in Sibiu and the internationalization process

The aim of the paper, coming from the actuality and necessity of the continuous approach of small and medium sized enterprises, especially in the conditions of the world economic crisis and globalization, consists in highlighting the current situation regarding business internationalization in SMEs and elaborating recommendations regarding the improvement of the business environment and the creation of conditions which are beneficial to the development of this kind of organizations. Reaching this purpose implies the following tasks:

- Explaining the concept of small and medium-sized enterprises
- Studying the approaches of classic and contemporary economists regarding the enterprise and the entrepreneur
- Estimating the role and place of the SMEs in the economy
- Reflecting the notion of business internationalization in the perception of contemporary economists
- Analyzing the stage and the impact of internationalization activities in small and medium-sized enterprises
- The argumentation of the need to internationalize the business of small and medium-sized enterprises

The thesis is organized in five parts, and the information presented is the result of various researches from secondary sources (bibliographical and selective research) and primary sources, based on a questionnaire.

Determining the current context of SMEs, both scientifically and economic, has made the object of the research from secondary sources. Also, another role of the research from secondary sources was to prove that the SME discussion, especially the aspects regarding the business internationalization of these firms constitute subjects which are timely and extremely important to the contemporary economy. Research from secondary sources relied on three directions;

1. A bibliographic selective research based on the specialty literature regarding SMEs. Its role was to highlight the degree of economic knowledge, as well as the need to study this economic sector. This first research represents the departure point of the whole paper.
2. A research based on the study and analysis of different reports, situations and documents regarding the SMEs' situation in Romania and in the European Union in the last years, with the purpose of marking out their importance and contribution to the economic and social environment, in order to support and motivate the endeavor of this thesis.
3. A research which targeted the problems of the SMEs' internationalization, based on studies belonging to the Romanian and international specialty literature. Its aim was to highlight the path and necessity to expand the SMEs' business on foreign markets.

The research from primary sources was made in two stages: pre-research and the research proper. In the first stage there were discussions with decisional factors from SMEs in the Sibiu district in order to see the level of their information regarding internationalization and opinions regarding the business environment. This first research highlighted the need and utility of the second research, wider, through a questionnaire built based on the problems revealed by the pre-research.

The research methodology used qualitative and quantitative research methods and techniques, and the data gathering was made through bibliographical study, field research and through discussions with the managers of the SMEs. The steps made in the research based on questionnaire were: studying the specialty literature, making the questionnaires, determining the size and structure of the researched sample checking the degree of understanding the

questionnaire thought the future respondents, distributing and collecting the questionnaires, handling the information, analyzing and interpreting it, drawing the conclusions. The questionnaires were distributed to proper samples, predetermined, in order to obtain relevant conclusions, and in the analyzing process the SPSS program was used, a very useful information processing software.

The paper is structured taking into account the final objective, and the tasks were distributed in five chapters approaching in detail different concepts regarding the importance of small and medium-sized enterprises in the contemporary economy, their role, place and specificity on international markets. Also, it presents the current stage of the SMEs in Romania from the legislative and institutional perspective, as well as aspects connected to their performance.

The first chapter, “*Small and medium-sized enterprises in view of economic theories*”, is dedicated to presenting the definitions circulated, in order to clarify the concept of small and medium-sized enterprise, presenting the view of classic and contemporary economists over problems related to entrepreneurs and entrepreneurship, but also exposing the role of the SMEs in the economy.

The research starts, in subchapter 1.1. “*The concept of small and medium-sized enterprise*”, by presenting the concept of small and medium-sized enterprise and some points of view regarding the criteria used to define the notion. Definitions of the SMEs in different countries are presented, a wide space being reserved to the definition used in Romania and the European Union. Within this subchapter are also presented the dominant characteristics of SMEs, insisting on their flexibility, and a discussion regarding their typology.

Subchapter 1.2 “Small and medium-sized enterprises viewed by classic and contemporary economists” is an analysis of the classic and contemporary economic thinking regarding SMEs and entrepreneurship. Even if classic economists didn’t study small and medium-sized enterprises, focusing more on the macro-economy, their references to the entrepreneur, risk, incertitude, etc. are addressed to all firms, no matter their size. Classic economists were preoccupied mostly by macroeconomic aspects of the economy. This is why, in

their papers, they don't make a direct reference to SMEs, but their theories also apply to them. They took into account the entrepreneur, the person open to new, the one who initiates big businesses, takes decisions, assumes risks and reallocates resources.

Adam Smith's metaphor regarding the "invisible hand" can be applied to all types of enterprises. Faithful to the concept „laissez faire, laissez passer ...” he considers in “The wealth of nations” that economic problems are best solved through individual decisions, excluding the state's intervention.

At the same time with the unprecedented development of the small and medium-sized enterprises' sector, the economic thinking approaching this subject kept expanding. For the argumentation, some remarkable ideas of contemporary economists (local and foreign) preoccupied by the economic behavior of these organizations were selected.

The constant dynamic and the volatile character of many of the characteristics of SMEs turns them into a perpetuum mobile which is constantly challenging study and detailed analysis. SMEs represent the basis of national economies, as they are the most important source of economic growth, the most important suppliers of hiring opportunities and key elements to the wealth of local and regional communities. All these represent enough reasons for many researchers to lean towards studying this phenomenon of the contemporary world. Nowadays we can mention a wide research experience of researching the “small business”, materialized in the works of contemporary economists. Many books and scientific articles were written, opinions and hypothesis regarding the evolution of small and medium-sized enterprises were crystalized.

Subchapter 1.3 “The role and place of small and medium-sized enterprises in the economy” is assigned to presenting a few considerations regarding the meaning of these organizations in the contemporary economic system. In order to shape as clear as possible their importance, distinct paragraphs were conceived and they treat issues regarding:

- Factors influencing the SME activity
- Attributes of the SME
- The lifecycle and financing of SMEs
- Innovation in SMEs
- Criticizing SMEs

- SMEs versus large companies
- The decision in SMEs compared to the one in large companies
- SMEs and corporate social responsibility (CSR)

The second chapter of the paper is called “The SME condition in Romania and in the European Union” and is divided in two subchapters; the first is dedicated to presenting and analyzing the European Union policy regarding small and medium-sized enterprises, and the second takes a scan of the current status of small and medium-sized enterprises in Romania.

Paragraph 2.1 “The European Union policy regarding stimulating the small and medium-sized enterprises” underlines the importance given to SMEs by the European Union and presents shortly a few aspects of its policy regarding the support of small businesses. The European Union considers that enterprises are the most important economic growth factor and this is why the EU policy is addressed to the whole business environment and aims at encouraging and facilitating the creation of new firms based on a dynamic business environment, where each enterprise has effective access to product and service markets within Europe and outside its borders.

Following the timeline of the events, programs initiated by the EU in order to support SMEs are highlighted, starting with the first Communitarian program of action in the field of SMEs (1983), going through a few aspects related to the Lisbon Strategy, the moment Small Business Act and ending with the Europe Strategy 2020.

Subchapter 2.2 “The development of the SME sector in Romania” presents the evolution of these enterprises in Romania after 1989. In order to achieve this goal, four paragraphs were built, each following a certain aspect;

- *Stages of the SMEs’ evolution* shape the evolution of SMEs in Romania, by identifying periods of development as well as by presenting the evolution of the legislative and institutional frame regarding SMEs.
- The paragraph *Analysis of the SMEs sector condition in Romania* analyses in turn:
 - The juridical shapes of small businesses

- The demography of SMEs
- The density of SMEs
- SMEs' contribution to the economic turnover
- SMEs' contribution to creating and keeping jobs

The sequence “priorities for the SME development in Romania” includes some suggestions to support small and medium-sized enterprises in view of the improvement of their performances and aligning them with SMEs in developed countries.

Throughout subchapter 2.3 “The SMEs in Romania in a European context” the position of our country compared to the European average is analyzed based on some key indicators.

In Chapter 3 “The internationalization of SMEs in a contemporary economic context” a very timely issue of small and medium-sized enterprises is analyzed: the internationalization of business. Researching the specialty literature allowed making a solid theoretical support for further research. This was a selective bibliographical research which was based mostly on articles and studies published by foreign authors. Extremely useful for the elaboration of this part proved to be the articles:

- “ *Foreign Markets Entry Mode Decision for Italian Small and Medium-Sized Enterprises*” [Musso, Francioni, 2012]
- “ *How Do Smaller Firms Select Foreign Markets?*” [Musso, Francioni, 2012],

by objectively presenting the theoretical aspects regarding SMEs as well as through their methodology.

The subjects regarding the business internationalization which were studied are presented in the paragraphs of this chapter:

- 3.1. *The internationalization as phenomenon. The definition of business internationalization* – a synthesis of the information suggested for this concept by world-known researchers.
- 3.2. *The motivations of business internationalization. Market entry barriers* – a classification and enumeration of the reactive and proactive reasons which are the base of the decisions regarding the expansion of businesses on international markets

- 3.3. *Theories regarding the business internationalization* - behavioral approach, internationalization through a network of firms, internationalization based on resources and competences.
- 3.4. *The choice of foreign markets*- discussion regarding the systematic and non-systematic approach of foreign markets by small firms.
- *Conclusions.*

Chapter 4 ***“Theoretical and methodological elements regarding the selective scientific research and ways of achieving it”*** is a synthesis of the research methodology approached, presenting the way the scientific research has been done, how the sample size was determined and how the information collected was analyzed using the SPSS program (Statistical Package for the Social Sciences).

Chapter 5 ***“Research regarding the determination of the internationalization stage of SME businesses in Sibiu district funded on the selective research of the decisional factors’ from these organizations opinion”*** presents the results of the research regarding the level of internationalization of SMEs from a defined geographic area. The attention has been focused over valuing the opinion of persons which activate in the SMEs from Sibiu district regarding the cooperation with the macro- environment, the impact of internationalization over the firm’s competitiveness, the expectations of public and private organisms from the firm, issues related to the internationalization of SMEs and to the lack of cooperation with foreign firms.

In order to have a correct and coherent presentation of the results of the research, the fifth chapter was divided in the following subchapters:

- 5.1. *General characteristics regarding the SMEs’ internationalization in Sibiu district*
- 5.2. *Definition of the demographic characteristics*
- 5.3. *Objective I: Cooperation with the macro-environment*
- 5.4. *Objective II: Elements regarding the impact of the business internationalization over the competitiveness*
- 5.5. *Objective III: Support for the SMEs’ internationalization*
- 5.6. *Objective IV: Problems regarding the SMEs’ internationalization*

5.7. *Synthesis of the problems regarding the business internationalization in SMEs from the Sibiu district by applying the “problem tree” method*

5.8. *Conclusions and suggestions regarding the results of the research referring to determining the stage of business internationalization of the SMEs from the Sibiu district*

Subchapter 5.1. “*General characteristics regarding the SMEs’ internationalization in Sibiu district*” presents the results of a pre-research made through free discussions with managers and administrators of firms, with the purpose of identifying the objectives and hypothesis of the future research.

Subchapter 5.2. “*Definition of the demographic characteristics*” presents the independent variables which were at the base of constructing the questionnaire applied to decision factors from SMEs.

The following 4 subchapters are allocated to presenting and interpreting the results of the questionnaire- based result. This provides information regarding the respondents’ opinion on numerous aspects regarding the business environment in Sibiu, insisting on elements concerning the business internationalization. This wide research has as starting point the bibliographic study made within the first three chapters of the thesis, which revealed the need for an analysis regarding the importance and the stage of the internationalization of SMEs.

Subchapter 5.7. *Synthesis of the problems regarding the business internationalization in SMEs from the Sibiu district by applying the “problem tree” method* resulted from the selection of the most important problems faced by SMEs. The two issues selected were treated by using the “problem tree” method, with the aim of determining their present and future causes and effects.

The conclusions of the researches are exposed in chapter 5.8., *Conclusions and suggestions regarding the results of the research referring to determining the stage of business internationalization of the SMEs from the Sibiu district*, which also tries to be a presentation of the most important results of the inquiry made. It also includes some suggestions and recommendations for further research.

In order to treat correctly the issue studied and to ensure a proper scientific support for the paper, both common and specific research methods have been used. To scientifically

examine the problems and achieve the planned goals, this paper used the following research methods:

- The analytical method, which led to the essence of the research phenomena and processes, analyzing the theoretical approaches regarding the categories of small and medium-sized enterprises, entrepreneurship, internationalization, as well as their role in the economic mechanism;
- The qualitative and quantitative analysis which analyzed the quality of the socio-economic content and the surrounding reality and evaluated the quantity of the internationalization process in SMEs;
- The dynamic analysis, which reveals and highlights the changes appeared during the economic phenomena analyzed
- The induction method, which reasons from particular to general, from real facts to scientific generalization, drawing a line of conclusions;
- The method of deduction, which reasons from general to particular and explains particular phenomena, especially regarding the internationalization in the studied SMEs;
- The descriptive method, which describes phenomena and facts regarding the internationalization process in small and medium-sized enterprises;
- Synthesis, which settles the connections between the previously analyzed phenomena and elements, as well as the synthesis of the theoretical approaches regarding the concepts of entrepreneurship, SME, internationalization, the existing tendencies regarding the research in this field and the basic elements concerning the performances of SMEs in the economy.

The results of the research allow the statement of the following aspects with innovational character:

1. Synthesis of the conceptual approaches regarding the definition of small and medium-sized enterprises
2. The systematization and synthesis of classic and contemporary thinking regarding entrepreneurship

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3. The argumentation of the importance, establishing the role of SMEs in the contemporary economy
4. The systematization of the European Union policies regarding SMEs
5. An actual analysis of the SME status in Romania has been done
6. The systematization of conceptual approaches regarding the internationalization of SMEs
7. The analysis of the business environment and of the stage of internationalization in Sibiu
8. The analysis of problems regarding the business internationalization in SMEs from Sibiu applying the “problem tree” method.

List of publications

1. The internationalization of SMEs. A synthetic analysis of the decisional factors and process, Annals of the „Constantin Brâncuși” University of Târgu Jiu, Economy Series, Issue 3/2013, pg. 137- 145
2. Romanian SMEs versus the global financial crisis – impediments and opportunities-, Annals of the „ConstantinBrâncuși” University of Târgu Jiu, Economy Series, pg. 176-179
3. Comparative study of the decision – making process in SMEs and in large companies, Annals of the „Constantin Brâncuși” University of Târgu Jiu, Economy Series, Issue 4/2012 pg. 191-193
4. The internationalization of SMEs in an European economic context, The International Conference "Performances in a competitive economy", Chisinau, 2013
5. The role and place of small and medium-sized enterprises in the economy, The international Scientific Conference for young researchers "The development of knowledge- based economy", second edition, Chisinau, 2011
6. SMEs and the corporate social responsibility ,The International Conference on Economics and Administration ICEA - FAA 2011, 3 – 4 JUNE 2011, pg. 274-277
7. Financing sources for small and medium – sized enterprises, 18th International Economic Conference - IECS 2011, „Crises after crisis. Inquiries from a national, European and global perspective”, Sibiu, Romania, 19-20 May, 2011