Objectives, Competitive Advantages, Managerial Priorities and Main Activities of Romanian SMEs

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Abstract

The economic science, that proved its viability, and the practice of economic evolution of different countries strongly argue the major decisive role held by the SMEs in the economic activity within whichever country. SMEs's special importance results from the fact that they are the principal producers of economic essence in any country, offers working places for the majority of population and their performances condition economy's progress and performances in each country and life standard for the population. The purpose of this item is to present few findings of an extensive empirical research of SMEs made in 2008, regarding the objectives, competitive advantages, managerial priorities and key activities of Romanian small and medium sized enterprises, in order to form a general view of this very important sector of economy.

Keywords: *entrepreneurs, SMEs, objectives, business, development, competitive advantages, managerial priorities, innovation, key activities*

JEL classification: L26, L21, L25

The research has been unfolded in 2008 and conducted on a sample of 1256 SMEs – micro, small and medium sized enterprises – operating in all economic sectors, covering every age category and each of the eight development regions, being considered as representative for the Romanian SMEs' situation.

1. SMEs main objectives

As far as the Romanian SMEs objectives for the next two years are concerned, research results reveal that in the **majority of companies (63.26%) the moderate business expansion was established as an objective**, in 20.93% of enterprises the main objective is to maintain business at the existent size, in 13.30% of the firms a fast business extension is wanted, while 1.40% of business men intend to close the business and 1.12% wish to sell the business. We can see that in the year of international and national crisis starting, most enterprises determine rational goals for next years, which means the entrepreneurs estimated that Romanian economy will set rights subsequent period. This situation is graphically presented in figure 1.

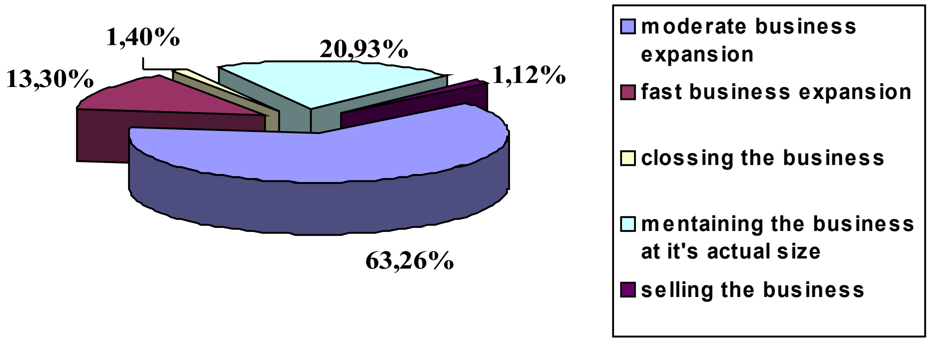

Figure 1 SMEs main objectives for the next two years

Considering SMEs' **size classes** (table 1), one can notice the following aspects:

- maintaining the current dimensions of the business and closing the business are reported in an inverse proportion to the firms' size
- business moderate expansion and fast business development are recorded in a higher proportion by medium sized enterprises (71.43% and 16.19%),
- enterprises with a view to sell the business hold a higher weight among micro enterprises (1.33%)
- no medium sized enterprises intend to close the business

This findings proves higher stability of medium sized companies comparative with other SMEs

SMEs main objectives by size classes

Table 1

No	SMEs objective	Size classes		
		Micro enterprises	Small enterprises	Medium enterprises
1.	Maintain the current dimensions of the business	25.00%	14.98%	11.43%
2.	Business moderate expansion	58.58%	71.42%	71.43%
3.	Business fast expansion	13.17%	12.20%	16.19%
4.	Business selling	1.33%	0.70%	0.95%
5.	Business closing	1.92%	0.70%	0.00%

Analyzing **SMEs by their field of activity** highlights the following aspects:

- ✓ enterprises within transportation field hold higher percentages of SMEs with an objective to maintain the current dimensions of the business (25.24%) and selling the business (1.94%), but they also register the lowest weight of enterprises with a view for moderate expansion (58.90%);
- ✓ SMEs within constructions register the highest weight of companies aiming for business moderate expansion (72.41%) and the lowest percentage of firms with a view for business fast expansion (10.34%); selling and closing the business is not wanted by the enterprises operating in this specific field;
- ✓ companies within trade business and tourism are up to fast business expansion in a higher weight (15.79%); among SMEs within tourism there is no intention to sell the business.

See table 2.

SMEs main objectives by fields of activity

Table 2

No	SMEs objective	Fields of activity					
		Industry	Constructions	Trade	Tourism	Transportation	Services
1.	**Maintain the current dimensions of the business**	15.34%	17.24%	16.54%	21.05%	25.24%	22.02%
2.	**Business moderate expansion**	70.90%	72.41%	63.91%	60.53%	58.90%	62.33%
3.	**Business fast expansion**	12.17%	10.34%	15.79%	15.79%	11.65%	14.32%
4.	**Business selling**	0.53%	0.00%	0.75%	0.00%	1.94%	1.06%
5.	**Business closing**	1.06%	0.00%	3.01%	2.63%	2.27%	0.27%

2 SMEs competitive advantages

Taking into account the fact that the competitive advantage that companies create reported to the economic market decisively conditions their performances and functionality, highlighting the **main competitive advantages** that SMEs decision factors consider to have against the competitors is extremely important. According to analysis results, **56.29%** of the entrepreneurs/ managers indicated as a competitive advantage the **quality of provided products/ services**, 43.07% - **price-quality balance**, 28.90% - **low price for the provided products/ services**, 9.79% - **used distribution channels**, 7.72% - **innovative capacity**, 6.21% - **post-sales services provided to customers**, 5.97% - **company's reputation**, 3.74% - **quality management**, 3.58% - **high qualified personnel**, and 1.91% - **networking - with political and economical environment**. We notice that most of SMEs are oriented towards differentiation through the quality of provided products/ services and/ or through their commercialization at prices reasonable for customers. See figure 2.

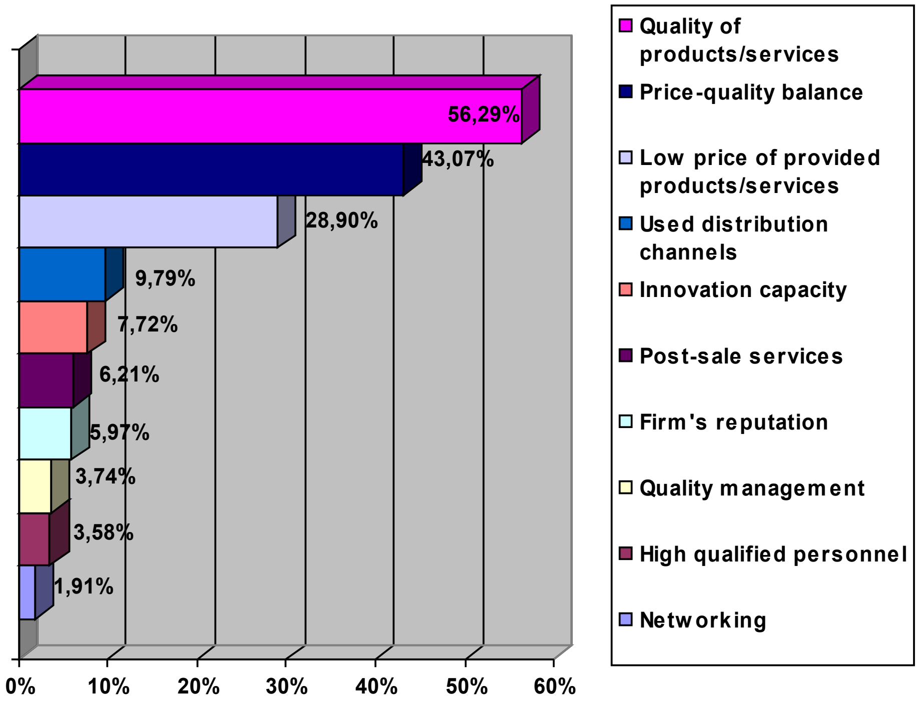

Figure 2 SMEs main competitive advantages

The analysis of SMEs competitive advantages **by their size classes** highlights the following important aspects:

- the weight of SMEs that have as a competitive advantage the quality of provided products/ services, quality management and firm’s reputation increases together with the companies’ size.
- proportion in which companies are more competitive as a result of the innovation capacity decreases together with the companies’ size, that demonstrate that smaller firms are pressured to innovate in a greater measure;
- the competitive advantages generated by the price-quality balance, used channels for distribution, post-sales services provided for customers, high quality personnel, networking - with the political and economic environment are more frequent for small companies

See table 3 for further details.

SMEs competitive advantages by size classes

Table 3

No	Competitive advantage	Size classes		
		Micro enterprises	**Small enterprises**	**Medium enterprises**
1.	Low price of provided products/services	31.75%	23.33%	25.42%
2.	Quality of provided products/services	53.75%	56.67%	71.19%
3.	Price-quality balance	39.88%	48.18%	47.46%
4.	Distribution channels	8.88%	12.42%	7.63%
5.	Post-sale services	5.75%	7.58%	5.93%
6.	Innovation capacity	8.25%	7.27%	4.24%
7.	High qualified personnel	3.50%	4.55%	1.69%
8.	Networking	1.50%	2.73%	2.54%
9.	Quality management	3.63%	3.94%	4.24%
10.	Firm's reputation	5.00%	6.36%	11.02%

Classifying **SMEs by fields of activity,** (see table 4) we notice the following:

- taking into consideration the quality of provided products/ services the highest weight is recorded by small and medium companies within tourism (71.05%) and the lowest by SMEs within trade business (45.63%);
- as for the price-quality balance for provided products/ services, the highest proportion is recorded by companies within constructions (54.84%) and the lowest by companies within services field (38.08%);
- if we consider the competitive advantage generated by the low price of products/ services we notice that the highest proportion was recorded by companies within transportation (35.03%) and the lowest by SMEs within constructions (19.35%);
- competitiveness generated by used distribution channels was noticed in the highest proportion for companies within transportation (14.17%) and it wasn't registered at all by enterprises from constructions;
- taking into consideration the innovation capacity, we notice that SMEs within construction field hold the highest percentage (16.13%) and companies that activate within transportation record the lowest proportion (4.01%);
- the highest percentage regarding the competitive advantage represented by post-sales services is recorded for economic agents within transport field (7.75%) and the lowest for companies within tourism field (4.38%);

- in terms of the company's reputation, a higher proportion is noticed for enterprises in constructions (12.90%) and a lower one for companies within tourism (2.63%).
- if we consider the quality management and networking - with economical and political environment, the highest percentages are registered among companies within tourism, and companies within constructions have no record of such advantages (because of recently evolutions of constructions sector in Romania);
- a high quality personnel was registered in a higher weight among enterprises in services (5.61%) and in a lower one among those from transportation (2.14%).

SMEs competitive advantages by fields of activity

Table 4

No	Competitive advantage	Fields of activity					
		Industry	Constructions	Trade	Tourism	Transportation	Services
1.	Low price of provided products/ services	26.22%	19.35%	30.63%	26.32%	35.03%	25.23%
2.	Quality of provided products/ services	55.56%	64.52%	45.63%	71.05%	50.27%	63.55%
3.	Price-quality balance	50.67%	54.84%	45.00%	47.37%	41.44%	38.08%
4.	Distribution channels	8.89%	0.00%	9.38%	5.26%	14.17%	7.48%
5.	Post-sale services	4.44%	6.45%	4.38%	2.63%	7.75%	6.78%
6.	Innovation capacity	9.33%	16.13%	4.38%	5.26%	4.01%	10.98%
7.	High qualified personnel	2.22%	3.23%	3.13%	5.26%	2.14%	5.61%
8.	Networking	2.22%	0.00%	1.25%	5.26%	1.34%	2.34%
9.	Quality management	3.56%	0.00%	5.63%	7.89%	5.88%	1.17%
10.	Firm's reputation	8.44%	12.90%	8.13%	2.63%	5.08%	4.21%

3 SMEs main activities

Considering the main activities upon which SMEs will focus in 2008, we remark that: **52.88%** of enterprises are to be oriented towards **relationship with suppliers/ clients**, in **51.40%** of companies **new products/ services** are emphasized, **30.33%** of companies are to focus on **thinking out company's**

strategies and policies, in **13.29%** of economic units **new technological processes** are going to be introduced, in **11.98%** of SMEs the entrepreneurs are to focus on **obtaining/using new information and knowledge** and in 11.19% of the organizations **personnel training** is taken into account. 7.26% from SMEs are to be oriented on delivery methods and logistics, and in 2.71% of enterprises are to focus on improving the decision making process and the needed number of employees. We remark that most of companies pay special attention to networking, which represent one basic feature of SMEs from all over the world. See figure 3.

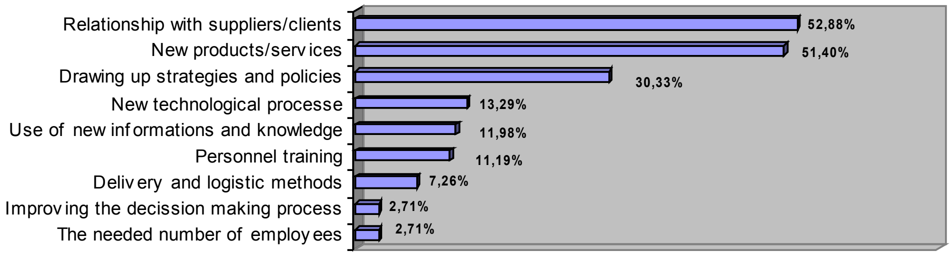

Figure 3 SMEs key activities

Taking into account managerial approaches within **SMEs by their size classes**, we generally notice that:

- the percentage of SMEs that are focused on relationships with suppliers/ clients, new products/services, the use of information/knowledge and improving the decision making process increases in an inverse proportion with companies' size;
- the frequency by which SMEs focus on drawing up strategies/policies, new technological processes and personnel training enhances once with the enterprises size, due to different economic potential/ complexity of activities;
- medium sized enterprises hold the highest weights of companies focused on personnel training (13.91%) and on delivery and logistic methods (12.17%);
- small sized enterprises register the highest weight of firms focused on the needed number of employees (2.89%).

See table 5 for details.

SMEs main activities by size classes

Table 5

No	Managerial approach	Size classes		
		Micro enterprises	**Small enterprises**	**Medium enterprises**
1.	Drawing up strategies and policies	26.26%	36.33%	40.00%
2.	Relationship with suppliers/clients	56.04%	48.55%	46.09%
3.	New products/services	52.53%	50.16%	48.70%
4.	New technological processes	10.11%	17.68%	20.87%
5.	Use of information/knowledge	13.76%	10.29%	6.09%
6.	Delivery and logistic methods	6.74%	6.43%	12.17%
7.	Personnel training	10.25%	12.22%	13.91%
8.	The needed number of employees	2.67%	2.89%	0.87%
9.	Improving the decision making process	3.09%	2.57%	0.87%

The SMEs' analysis by **fields of activity** points out the following aspects:

- firms within construction record in the highest weight the focus on drawing up strategies/ policies (58.62%), use of information/knowledge (17.24%), personnel training (17.24%) and the assurance of the needed number of employees (6.90%), but hold no records of SMEs focused on the delivery and logistic methods and the improvement of the decision making process;
- SMEs from transportation register the highest weight of enterprises with a view for partnerships with the suppliers/clients (64.29%), but also the lowest percentage of companies focused on drawing up strategies/policies (24.11%) and on new technological processes (6.55%);
- enterprises operating in industry show off by the numerous presence of companies with a view for new technological processes (27.27%), delivery and logistic methods (10.53%), but register a lower percentage of firms aiming for the use of information/knowledge (6.22%) and personnel training (5.74%);
- enterprises within tourism are more frequently oriented on new products/services (57.89%) and rarely on partnerships with the suppliers/clients (36.84%);
- companies from the services field register a higher weight of entrepreneurs/managers that consider the improvement of the decision making processes (3.83%) and hold inferior percentages regarding the delivery/logistic methods (4.34%) and the assurance of the needed number of personnel (2.04%).

See table 6 for further details.

SMEs key activities by fields of activity

Table 6

No	Managerial approach	Fields of activity					
		Industry	Constructions	Trade	Tourism	Transportation	Services
1.	Drawing up strategies and policies	33.49%	58.62%	32.86%	28.95%	24.11%	31.12%
2.	Relationship with suppliers/clients	53.11%	37.93%	57.86%	36.84%	64.29%	43.88%
3.	New products/ services	47.85%	24.14%	49.29%	57.89%	57.44%	50.26%
4.	New technological processes	27.27%	20.69%	10.71%	15.79%	6.55%	11.73%
5.	Use of information/ knowledge	6.22%	17.24%	9.29%	13.16%	11.01%	16.33%
6.	Delivery and logistic methods	10.53%	0.00%	9.29%	5.26%	8.63%	4.34%
7.	Personnel training	5.74%	17.24%	10.71%	10.53%	7.44%	17.09%
8.	The needed number of employees	2.87%	6.90%	2.14%	2.63%	3.27%	2.04%
9.	Improving the decision making process	2.87%	0.00%	0.71%	2.63%	2.38%	3.83%

4 Managerial priorities within SMEs

SMEs performances highly depend on the priorities set by entrepreneurs and managers. According to our research (see figure 4), the most frequent **managerial priorities** noticed inside the Romanian SMEs are: **to intensify marketing activities** (in 57.64% of the firms), **acquisition of new techniques** (42.36%), **diversifying production** (38.30%), **intensive training of personnel** (36.54%), **new buildings** (32.32%), computerizing activities (31.61%), modern quality management systems (28.34%), new/improved managerial approaches (27.47%), new equipments (26.19%) and pollution control (22.13%). We should notice that over a quarter of the entrepreneurs/ managers intend to undertake managerial restructures and updates, reflecting their increased acknowledgment towards the importance of **management systems, company's managerial methods and techniques**. We identify that these priorities make up an equilibrated unity, in consensus with modern companies evolutions.

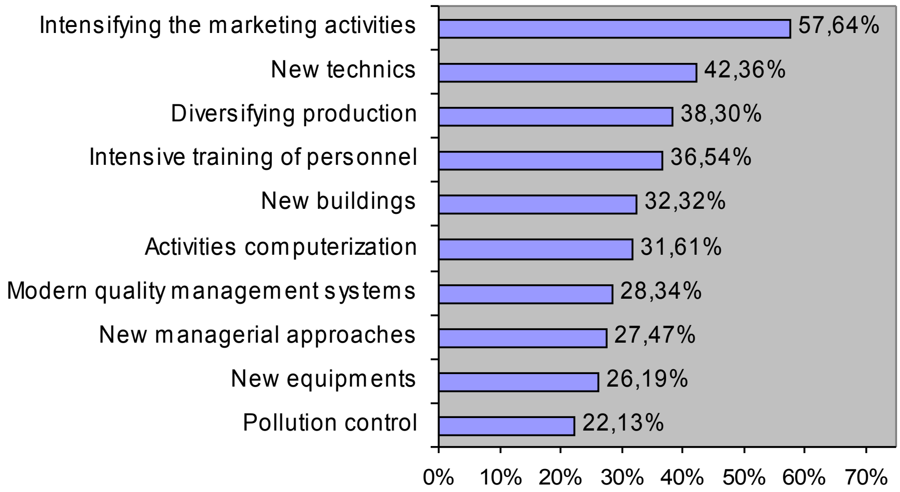

Figure 4 Strategic priorities

As we can see from table 7 **the impact of companies' size** upon the development of activities is significant, resulting their strengthening as the SMEs size increases.

Relationship between SMEs Size and the intensity of development priorities

Table 7

No	Measures to increase economic activity	Size classes		
		Micro enterprises	Small enterprises	Medium enterprises
1.	New equipments	17.63%	37.58%	52.54%
2.	New buildings	23.75%	46.97%	48.31%
3.	New techniques	34.00%	53.33%	66.10%
4.	Diversifying the production	32.75%	46.97%	50.85%
5.	Intensifying the marketing activity	55.38%	59.70%	66.10%
6.	New/improved managerial approaches	24.75%	30.30%	37.29%
7.	Modern quality management systems	21.75%	35.45%	50.00%
8.	Pollution control	18.00%	24.55%	43.22%
9.	Computerizing activities	28.88%	33.64%	44.07%
10.	Intensive training of personnel	30.50%	45.15%	52.54%

The SMEs' analysis by **fields of activity** (table 8), points out the following aspects:

- SMEs from constructions are on the first place concerning new equipments (51.61%), new techniques (67.74%), new/improved managerial approaches (38.71%), modern quality management systems

(54.84%), pollution control (35.48%), computerization of activities (38.71%) and intensive training of personnel (61.29%);

- new buildings were reported in a higher weight among firms within tourism (55.26%) and in a lower one among those from services (24.53%);
- the proportion of the activities for the diversification of production is lower among SMEs within services (27.80%) and higher among those from industry (60.44%);
- the marketing activity enhancement was more frequently recorded among enterprises from industry (61.33%) and rarely among SMEs within transportation (53.48%);
- considering the new /improved managerial approaches, the lowest weight is registered by the economic agents operating in the tourism sector (21.05%);
- taking into account the modern quality management systems and pollution control, one can notice inferior percentages for the firms within services (21.26%, respective 17.99%);
- computerization activities have been registered in the lowest ratio at the SMEs from tourism (23.68%), and the training of the personnel is less intense among companies within transportation (29.95%).

SMEs' development priorities by fields of activity

Table 8

No	Measures to increase economic activity	Fields of activity					
		Industry	Constructions	Trade	Tourism	Transportation	Services
1.	New equipments	43.56%	51.61%	23.75%	31.58%	20.32%	20.79%
2.	New buildings	36.44%	54.84%	38.75%	55.26%	31.82%	24.53%
3.	New techniques	56.00%	67.74%	38.75%	55.26%	37.17%	38.08%
4.	Diversifying the production	60.44%	48.39%	30.63%	50.00%	38.24%	27.80%
5.	Intensifying t he marketing activity	61.33%	61.29%	53.75%	60.53%	53.48%	60.28%
6.	New/improved managerial approaches	34.22%	38.71%	24.38%	21.05%	25.13%	26.87%
7.	Modern quality management systems	40.00%	54.84%	31.25%	42.11%	24.60%	21.26%
8.	Pollution control	29.33%	35.48%	23.75%	18.42%	21.12%	17.99%
9.	Computerizing activities	35.11%	38.71%	33.75%	23.68%	28.07%	32.24%
10.	Intensive training of personnel	42.67%	61.29%	33.75%	36.84%	29.95%	38.32%

In a general view, one can note an average concern for the guidance of the SMEs' activities and development on certain directions, with an extra intensity among medium sized companies and economic firms activating in the constructions sector.

Concluding, we emphasize that research findings vindicate high flexibility and adaptability of Romanian SMEs towards economic environment, favored by reduced dimension, quick decisional process, and involvement of entrepreneurs in current activities.

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