

INCREASE OF THE COMPETITIVENESS OF THE SMALL AND MEDIUM-SIZE ENTERPRISES BY MEANS OF THE BEST STRATEGIES OF DEVELOPMENT OF ECONOMIC ACTIVITY

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In the first part of the work, there are presented general notions on the small and medium-sized enterprises, what they signify currently and how they classify, from the point of view of the number of staff employed and annual turnover expressed in euro. It follows the presentation of the criteria, characteristics and advantages obtained, elements of vulnerability and factors determining the success or failure of the small and medium-sized enterprises. In the second part, there are shortly presented the proper strategies that may be adopted and necessity of their adoption by the small and medium-sized enterprises.

The targeted objectives are to understand the necessity of development of the small and medium-sized enterprises for the national economy, knowing the optimal strategies to be adopted by the small and medium-sized enterprises, possibility to adopt strategies of innovation by the small and medium-sized enterprises, development of the small and medium-sized enterprises by adopting some redevelopment strategies.

Key words: Competitiveness, innovation, strategies, specialization, diversification

Short presentation of the small and medium-sized enterprises

Generally, when speaking about small and medium-sized enterprises, we speak about economic entities whose classification in the first instance is made depending on the number of employees, turnover, size of the invested capital, size of the profit, size of the assets. In Romania, the delimitation of small and medium-sized enterprises depending on the number of the employees was made as it follows¹:

- a) Micro-enterprises – have up to 9 employees and achieve a net annual turnover or hold total assets up to Euro 2 million, the equivalent in lei;
- b) small enterprises – have between 10 and 49 employees and achieve a net annual turnover or hold total assets up to Euro 10 million, the equivalent in lei;
- c) Medium-size enterprises – have between 50 and 249 employees and achieve a net annual turnover up to Euro 50 million, the equivalent in lei or hold total assets not exceeding the equivalent in lei of Euro 43 million;

According to the sole patterns of E.U. , the legal and statistic definition of SME is as follows²:

SME	Staff number / annual turnover / total annual balance sheet		
	(employees)	(euro)	(euro)
Micro-enterprises 1 - 9		< 2 million	< 2 million
Small enterprise 10 - 49	< 10 million		< 10 million
Medium-sized enterprise 50 - 249	< 50 million		< 43 million

In order to set-up small and medium-sized enterprises, we have to consider certain criteria³ of appraisal:

- the economic criteria is a decisive criteria;
- the technical and technological criteria is a conditional criteria;
- the territorial or zonal criteria is a favoring criteria;
- the criteria of utilities is a criteria of functionality;
- the social criteria is an impact criteria.

All these criteria together with the experience, tradition, strategy or strategies adopted, management policy, etc. lead to the annual setting-up of an increasing number of small and medium-sized enterprises.

The small enterprises that are set-up must fulfill certain qualitative characteristics such as independent management (the manager is usually the company's owner), the capital ensured by one or several persons named associates and that become the owners of the enterprise from a geographic point of view, the area is local, even if the sales market is more extended, the company is small compared to other competitors in that field.

The significant advantages of the small and medium-sized enterprises are the high degree of adaptability to the market demands, the high capacity of innovation determined by competition and competitors, the simplified organizational structure that leads to a low cost and accurate circulation of information and decisions, existence of a direct system of information, a better management of the human resources, creation of new jobs, and not lastly a balanced territorial arrangement.

Still, the small and medium-sized enterprises show also elements of vulnerability as they have available a small capital, insufficient commercial means, technical and technological difficulties in order to cope with the competition in the high-technology sectors, impossibility of making some systematic investments and quite reduced protection of the employees.

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In time, it has been ascertained that a series of factors determines the success or failure of the small and medium-sized enterprises. These factors target on one hand, the enterprise and the entrepreneur on the other side. The factors targeting the enterprise can be its own or drawn financial resources, staff resources that means both the number and their quality, the system resources, that is the degree of complexity of the informational systems, of planning and control and business resources, meaning the customers basis, market share, relationships with the suppliers, production and distribution processes. The factors regarding the entrepreneur are the operational abilities used in order to accomplish some activities such as marketing, production, dismantling, objectives and degree of convergence between the individual objectives and the objectives of the enterprise, managerial abilities of the entrepreneur and strategic abilities of the enterprise for identifying strengths and weaknesses of the company to implement the best methods and techniques and to accomplish the proposed objectives. Besides the accurate evaluation of all these factors and their impact, it must be also required the careful analysis of the evolution of costs, analysis of available resources, forecasts of the sales, cash flow and necessary capital.

1 Dinu Marin- Economia Romaniei, Intreprinderile mici si mijlocii, cu ce ne integram?, pag.23 (Dinu Marin - Ecoomy of Romania, Small and Medium-Sized Enterprises, with what do we integrate?) page 23

2 www.biblioteca.ase.ro/downres.php?tc=6248. zamfirescu m

3 and 4 Delia Silvia Olaru – Economia si gestiunea intreprinderii, pag.23-24 (Economy and administration of the enterprise, pages 23-24)

Necessity of adopting proper strategies by small and medium-sized enterprises

Objectives:

1. Understanding the necessities of development of small and medium-sized enterprises for the national economy.
2. Knowing the optimal strategies to adopt by small and medium-sized enterprises.
3. Possibility of adopting innovation strategies by small and medium-sized enterprises.
4. Development of small and medium-sized enterprises by adopting redevelopment strategies.

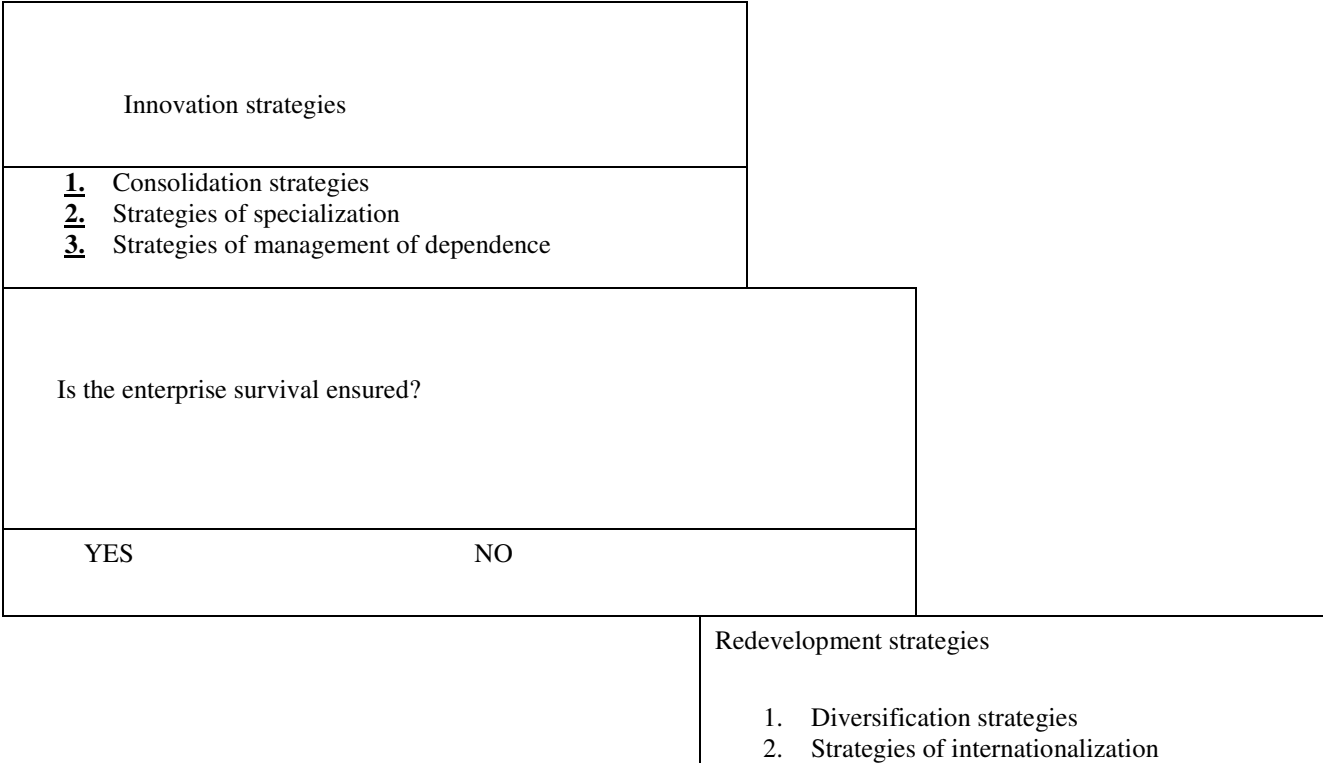
In the conditions of a market economy, the small and medium-sized enterprises play an important role in satisfying the consumers' requirements. Ensuring their development under conditions of a competing economy requires adopting a proper strategy according to the current particularities and future development perspectives.

According to the experience of competitive small and medium-sized enterprises, the adoption of proper strategies must follow-up the maximization of chances of survival on market on the conditions of their functioning within some national economy in which the competition situates on the first plan.

In the scheme below, a sequential classification of the most important strategies is presented, that can be adopted by the small and medium-sized enterprises in order to be able to maintain their presence on the market under conditions of productivity.

According to this scheme, small and medium-sized enterprises must adopt first of all, innovation strategies that can ensure for them a long-term survival potential. As a result of functioning of these enterprises, under the conditions of their being subject to the action of some factors of vulnerability, in order to ameliorate their actions, the enterprises can adopt the so-called strategies of consolidation of the activity by adopting some strategies of specialization or management of dependence.

Sequential classification of the strategies that can be adopted by small and medium-sized enterprises.



Under the conditions in which it is estimated that the factors of vulnerability remain a permanent threatening for the enterprise activity, the so-called strategies of redevelopment of the activity can be adopted that can create strategies of diversification and internationalization.

Ensuring the durability of the small and medium-sized enterprises requires adopting some innovation strategies. Although not all small and medium-sized enterprises use and develop inventions in their activity, the real life emphasize that they have an important contribution in drawing out innovations and their use in the productive process. More than a half of the great innovations of the 20th century are elaborated by independent inventors and small enterprises. In the current and future conditions, in the sectors in the maturity stage or within the sectors affected by economic crisis, the innovation, especially the technological one, follows the improvement of the production processes and is made particularly by the contribution of the small and medium-sized enterprises.

The elaboration and implementation of the technological inventions develop the technological environment and can stand at the basis of some innovation strategies. By using innovations, the small and medium-sized enterprises can implement strategies of strengthening or consolidation, by ensuring herewith a diminution or sustainable suppression of the factors of vulnerability. The possible strengthening strategies

can be materialized by the adoption of specialization strategies and in the strategies of management of dependence.

The specialization strategies that can be adopted by a small or medium-sized enterprise require the focus of these enterprises on a certain professional vocation, concretized by the production of goods or supply of services that cannot be executed under the economic conditions by large enterprises.

In order to avoid direct confrontation with the large enterprises, these strategies of specialization must allow the positioning of these enterprises on certain markets that do not draw by or do not interest the large enterprises from an economic point of view. These interstices of market must be well served, thus constituting a solid strategic basis, avoiding in this way to serve in worst conditions by large enterprises.

Adopting such strategies of specialization, small or medium-sized enterprises can take when necessary a vertical integration of their activity, superspecializing themselves in the respective field of activity, by using specific proceedings of activity that constitute its "strategic basis". By vertical integration, small or medium-sized enterprises can occupy a monopoly position in the field of the said profession, that can be competed by other enterprises.

The adaptation of some specialization strategies by small or medium-sized enterprises must take into account certain limits and specific constraints. The practical life proves that generally as the market is more reduced, as much its economic potential is quicker reached by other enterprises. A narrower specialization strategy increases the global risk of the enterprise, by obliging the enterprise under the conditions of increasing this risk, to adopt strategies of redevelopment of the activity. Also, it must be mentioned actually that a narrow specialization strategy may lead to the increase of the number of vulnerability factors such as for instance the reduction of the number of clients.

The adoption of a strategy of management of dependence may constitute another form of strengthening and consolidation of the activity of a small or medium-sized enterprise. A small or medium-sized enterprise can be completely independent from a legal and financial point of view, but the economically dependent on a large enterprise or a group of enterprises.

The dependence phenomenon reached to a certain state of generalization once with the creation of some strong financial groups on different complex technological directions that made that certain small or medium-sized enterprise become dependent on such large enterprises, either by executing certain stages of the technological process for them, or by executing certain parts or sub-assemblies necessary for the delivery of the end products by them.

It must be specified that the dependence is not synonymous with the vulnerability or with the state of economic weakness of the enterprise. For a good management of the dependence in case that it is adopted such a strategy, the small or medium-sized enterprise can use different ways. A first way regarding a good management of the dependence consists in the activity make itself indispensable. Thus, a dependant enterprise can impose as a privileged supplier by becoming irreplaceable, thus ensuring dynamism and competitiveness. The dependent enterprise thus becomes an economic partner for a large enterprise, contributing to increasing its efficacy.

The small or medium-sized enterprise, dependent on one or several large enterprises during several years, benefiting of the economic advantages that result therefrom, may do investments also in other fields, thus increasing the degree of autonomy.

In the latest while there are established alliances between large enterprises and small or medium-sized enterprises as concern the development of certain activities. The large enterprises grant help to small or medium-sized enterprises consisting in transfer of technology, fabrication of certain products, making available the commercial network for the export activity, temporary delegation of certain persons. For the accomplishment of large international projects, there are established new relations of collaboration between the groups of global enterprises and some small or medium-sized enterprises.

As a result of a good management of dependence, both the small or medium-sized enterprises and the larger enterprises or groups obtain economic advantages.

If the action of the factors of vulnerability cannot be avoided, the small or medium-sized enterprise may adopt strategies of redevelopment of the activity by implementing strategies of diversification and when possible, strategies of internationalization.

The diversification strategy represents that type of strategy that consists in increasing the number of businesses, products, works, services, essentially different from the businesses developed currently. ¶ The

diversification strategies can be realized under two forms, such as concentric diversification and conglomerated diversification.²

The diversification as strategy of the small or medium-sized enterprises must be adopted with maximum attention in order to not enter activities that cannot be carried out productively with the existing or future means. In adopting a diversification strategy, it is necessary to consider the tendency of refocusing of the enterprises, even the large ones, on those activities which they can perform the best, taking into account the existing resources and abilities and competences available.

By adopting this type of strategy, the specialization will not be confounded with the diversification. The diversification assumes an extension of the professional vocation or adoption of a new professional vocation by the enterprise, assumes other abilities, competences and technologies resources that in most of the cases cannot be provided. Contrary to diversification, the specialization assumes a deepening of the professional existing vocation in a certain field of activity, by adopting technological resources, abilities and exiting competences to carry out the new dimensions of activity required by the specialization.

In order to adopt a diversification strategy by a small or medium-sized enterprise, it is necessary to be made a profound analysis of the possibilities to be implemented productively, by resorting to a successive filter of the ideas of diversification, by considering the existing possibilities and the need to develop efficiently the new activities.

The diversification of the activity needs to be made in stages, passing from a stage to another being made only after that a new stage was appropriated and the necessary resources were ensured. The adoption of a strategy of diversification assumes taking into consideration its implications on the modality of organization of the enterprise and on the style of management, emphasizing the delegation of the tasks, by organizing the production units, such as "responsibility centers" or "costs centers" in enterprises that adopts diversification, by imposing a systematic control from the superior management on the developed activities.

The internationalization strategy can be adopted by small or medium-sized enterprises for the redevelopment on a larger plan of activities. This type of strategy represents a natural prolongation of adoption by the enterprise of an accentuated specialization in a certain field of activity. The adoption of this type of strategy is made on basis of fighting down a certain type of obstacles and constraints according to different stages of development of the enterprise and with the degree of motivation of the management staff and development of this type of strategy.

The international engagement of small or medium-sized enterprises implies the use of the possible forms according to the existing conditions or that may be created, such as indirect export or implants of branches abroad. For the successful adoption of a strategy of internationalization of small or medium-sized enterprises, it is recommended to take into consideration certain requirements. Among them, we can mention those that recommend that the development of international activities be made depending on the existing means, that in this action, the risks be limited, to obtain an external support, to systematically control the efforts and results obtained by internationalization and to develop these activities of international development on the basis of a well thought plan.

¹si² – Constantin Barbulescu-Sistemele strategice ale intreprinderii, pag 214-215. (Strategic systems of the enterprise, pages 214-215)

The development of the internationalization actions in accordance with the existing means represents a basic requirement. Passing to more complex forms of internationalization requires the use of means which the enterprise must have available. The sub-supply of some parts or sub-assemblies to a large international enterprise may constitute an international form of activity at the beginning, following that in time, the enterprise starts on international activities on its account.

In order to limit the risk to carry out international activities, the enterprise has to endow with an efficient system of information and to appeal to specialized institutions in supplying the information necessary to be able to perceive the global risk of the enterprise in starting on international activities.

In order to carry out successfully international activities, the enterprise has to benefit of a certain time of support according to the planned activities, collaborating with the economic units from the targeted

countries for internationalization, the small or medium-sized enterprises being able to benefit on the basis of these collaboration of the commercial network of the large enterprises.

The successful development of some international activities requires adopting a superior organization of the control on these activities, by adopting some proper control procedures or by carrying out a periodical audit of them and inclusion of the international development in a well thought plan in which the international plan has to be conceived as a strategic option along with the activities developed by the enterprise.

The international development of a small or medium-sized enterprise has to be provided in a plan for them, the main stages of the planning process being shown below.

Setting objectives and rules

Analysis of the limits of strengths and weaknesses of the enterprise

Forecasting the limits of strengths and weaknesses of the enterprise

Isolation of the strategic problems of the enterprises and taking into consideration the possible opinions

Implementation and control

In conclusion, under the conditions of a market economy, the small or medium-sized enterprises play an important role for the satisfaction of the consumers' requirements. For increasing the chances of survival and continuous development, they can adopt innovation strategies, strategies of specialization and management of dependence and in case that it is not ensured the survival, there can be implemented some redevelopment strategies, among which the strategies of diversification and strategies of internationalization.

In current and future conditions, in the sectors in stage of maturity, or in the sectors affected by the economic crisis, the innovation and particularly the technological innovation is made by small or medium-sized enterprises. By using innovations, small or medium-sized enterprises can implement strategies of consolidating their activity, ensuring thereby the diminution and sustainable suppression of their vulnerability. For strengthening their activity, these enterprises can use strategies of specialization or management of their dependence to large enterprises.

The strategies have to be adopted generally on the basis of a plan, with well-defined stage.

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