

## COMPETITIVENESS OF SMALL AND MIDDLE ENTERPRISES – KEY FACTOR FOR A SUCCESSFUL ECONOMY

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*In the literature for the economic activity there are a lot of ways in which the enterprises competitiveness can be understood. Still, up to now, there is no unanimous accepted definition for this concept and all works in this field lack of the little interest in this direction. This research work tries to bring into focus for those preoccupied by this field of activity some trials to define this concept, as well as the intentions showed by the European Union specialists to encourage the small and middle enterprises.*

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In the present highly competitive business environment, the importance of small and middle enterprises (SME) has become more and more outstanding, mostly demonstrated by the following economic and social aspects:

- they bring an important contribution to the strengthening of the competitive environment, they stimulate the market reducing the capacity of the big companies to influence it and undermining their exclusive position;
- they offer a strong individuality of their products and services;
- they represent the most important source of new labor places;
- they present a better response and adaptability to the market needs;
- they create opportunities for the development and adjustment of new technologies;
- they exploit efficiently the market niches which are considered unprofitable by the big companies;
- they exploit efficiently the local resources;
- they represent the suppliers specialized for the big companies;
- they contribute to the development of the entrepreneurial culture and assures the delivery of a high number of entrepreneurs capable to assume risks;
- they stimulate the investments from the population economies or from other funds which, otherwise, wouldn't obtain a profit;
- they contribute to the political and social stability on long and very long term.

The companies' competitiveness represents their capacity to react and also to adapt to the existent changes, both in their external and internal environment, so that they can obtain profit from long term activities. In other words, competitiveness represents a continuous struggle for survival in the market (A. Chikan, 2001).

Another definition for competitiveness suggests the fact this represents the enterprises ability to produce goods and services so that they answer to the more and more demanding requirements of the clients and, in the same time, to meet a more and more fearful competition at the international level.

In 1994, P. Krugman considered that the word productivity can be used as a synonym for competitiveness. The concept of competitiveness refers to gaining a competitive advantage in the market; this advantage determines the market success of the enterprise.

Competitiveness can also be understood as the companies' capacity to create and present in the market products qualitatively superior to those offered by the competition. In conclusion, between competitiveness and market success can be put the equal sign.

S.A. Khader considers that the competitiveness level of an enterprise depends on the following factors: the ability to keep its clients and to raise the market share; the opening direction for new markets; the preoccupation for a continuous improvement of productivity, of products quality and of the services offered in the market.

Other two authors known in this domain, G. Johnson and K. Scholes showed, in 1993, the importance of the environment in which the enterprises develop their activity to put into practice the competitive strategies. The firms competitiveness depends, in the opinion of the two authors, of several factors, among which are: market share, the quality of the resources, the flexibility they are able to create in their specific market etc. In other words, the influence of the external environment on the SME competitiveness is very significant. This idea is underlined by the insecurity of the environment factors, which grows every day, by the stronger and stronger competition in the market and by the very restrictive protection measures for the environment.

In 2006, ANIMMC issued the following definition for competitiveness: the extent an enterprise is capable to invest and its capacity to introduce new products in the market so that to face international competition.

The conclusion drawn from the presented definitions may be that a competitive enterprise is characterized by the following two elements:

- it is capable to identify those valuable elements important for its clients;
- it is capable, by the help of the owned resources, to create and offer in the market the valuable surpluses previously identified.

SME represent the core of any economy and an important factor for the labor force. The European Committee shows a great concern for SME. The main priority is represented by the improvement of the financial environment and the multiplication of the regulations for allocating facilities to European SME.

At the European level it is considered that bureaucracy costs could be reduced with about 25% for SME. So, the companies will be able to spare approximately 150 billion Euro and the Gross Domestic Product (GDP) in the European Union will increase with 1.5%. Also, the European Committee funds for SME will grow so that more and more enterprises to be able to access them. Between 2007 and 2013, the regional development funds will contribute with about 200 billion Euros to improve business, work places and economic growth; the SME will have access to a great part from this sum of money. The research and development programs produced by the Economic Committee will offer SME approximately 6 billion Euros to finance the research works. Up to the end of 2013, the European Committee expenses to promote the entrepreneurial and innovation spirit will increase up to 60% compared to 2006, due to the 3.6 billion Euros supplied by the new Program for Competitiveness and Innovation. Out of this sum of money, 1 billion Euros goes to the financial assistance for SME.

One of the main problems of SME, which the European Committee has focused to solve, is the easier access to useful information. For this purpose, it was created the SME portal <http://ec.europa.eu/enterprise/sme/>, easy to access and use. On this portal one can find information about:

- finance opportunities for SME;
- services for assistance;
- the importance of SME for the European economy and for creation of new work places;
- creation of European politics to support SME;

- the encouragement of entrepreneurial spirit in Europe;
- the territory where the created European Union politics for supporting SME are applied.

Another problem worth to be solved by the European Committee is the bureaucracy. A series of studies shows that over 10% from the enterprises which use only one employee would hire staff if the formalities would be easier to fulfill. Because of the fact that these enterprises represent more than half of the total European Union enterprises, solving this problem would mean to obtain more than 1.5 million new work places. As mentioned before, by a reduction of 25% in the bureaucracy costs would be obtained an increase of 1.5% from the European Union GDP, that is about 150 billion Euros.

For the moment, the European Union is very preoccupied to reduce bureaucracy, both in the existing legislation and in the legislation proposals. Between 2005 and 2008, 220 laws and 1400 texts from secondary legislation were examined; at the beginning of 2007 half of the laws previously taken into account has already been debated.

Another very important aspect is represented by the reduction of the formalities in SME public auctions. The main difficulties met by SME when involved in public acquisitions are the inefficient information concerning the auction's procedures, the lack of expertise to prepare the offer, the lack of money to react in such a short time and the difficulty to fulfill the administrative requirements. So, one of the priorities of the European Committee is constituted by taken measures so that to create equal conditions for the enterprises participating to public auctions.

An essential element to start or develop a business is to find the adequate financing forms. The European Committee supplies guarantees for SME, in order to obtain the loans from banks. Also, the Committee facilitates investments of risk capital for SME. The European Investment Funds is the institution that supplies all these financial instruments.

Between 2001 and 2006, 510 million Euros were distributed and over 1 billion Euro was allocated as part of the new Program for Competitiveness and Innovation of the Committee which has been developed between 2007 and 2013. The financial institutions will be able to supply about 30 billion Euros as new financial possibilities for around 400,000 SME in Europe.

The loyal competition is another very important aspect for the SME in the European Union. The European Committee focuses its activity on preventing the abuse from a dominant position. The Committee pays a great attention to the complaints received from the SME signal non-competition practices used by the important companies; these great companies exploit their power to destroy the less significant competitors. There are, also, forbidden the mergers which could create or consolidate a dominant position in the market.

The creation of the entrepreneurial spirit is also very important for the European Committee. For this purpose the Committee cooperates with the national authorities in order to implement the entrepreneurial tuition in the education programs at all levels. By the help of these activities, the young people learn the significance of the entrepreneur concept and, also, their creativity and desire for initiative are stimulated; these elements are considered essentials for a successful entrepreneur.

The support for SME worldwide extent is done by a permanent examination and updating of legislation, so that to guarantee the correct development of the market and the acceptance of the fact that the SME may use stable regulation all over Europe. The new regulation for the services, for example, will reduce bureaucracy in the commerce with services and will encourage the European companies to extend over the borders.

The research and innovation activities are, mostly, more difficult to implement for SME than for big companies. The lack of financial resources and experience, as well as the difficulty in finding a competitive business partner are defining factors for the "disabled" small enterprises at this chapter. That is the reason why the European strategy regarding innovation wants to create better business conditions and to eliminate the obstacles in the market.

The Program for Competitiveness and Innovation finances investments, especially those for SME, in innovatory activities. The program objectives are:

- the improvement of the access to finance;
- the promotion of the eco-innovation;
- the continuity of finance for community services which support business and innovation.

The program has a budget of 3.6 billion Euros for the period between 2007 and 2013. Also, The Committee supports the development of some so-called “leader markets” referring to those sectors with the greatest development potential of the new innovations for the commercial products.

In order to stimulate the innovation, ideas protection becomes more and more significant. The companies need to protect their creative ideas, as well as their rights of intellectual property (RIP). The Committee tries to intensify the understanding of RIP and offers support especially for SME, in order to determine them to exploit at maximum the intellectual property.

The finances for regional development are crucial in reaching the objectives established by the European Union concerning competitiveness. From the budget point of view, the structural funds will offer more than 300 billion Euros for the financing of regional development between 2007 and 2013. More than two thirds from these funds have been allocated to actions promoting the development of the enterprises and of the work places.

The rural development, a main priority for European Union, will benefit of a additional support. About 80 billion Euros will be available for the increase of agriculture competitiveness and for diversifying the economy of rural zones. Moreover, special efforts will be done for fishing and for the regions with specific characteristics, for example in the mountains or the most remote parts of the European Union.

The expenses are meant for problems and activities which support the SME development, such as innovation and finance. The SME will receive very important financial resources. In the present, all the regions are appropriate for finance from structural funds. In the less economical developed regions, the SME will be able to obtain a direct support, if they respect certain conditions, while in the rest of the European Union, the support will be available for associations of enterprises, support agencies, local administrations and other intermediate structures. In all these regions, the structural funds are focused on co-financing of business locations assistance programs, formation and finance of SME, technology transfer, groups of activities in SME and network activity.

The project selection for finance is always fulfilled at a regional level. The SME and other organizations interested in structural funds must, therefore, to contact the local authorities and to do some research upon the present finance possibilities.

In conclusion, the start of a new business needs much more than a simple idea. It is essential to exist a person capable to assume the risks of his own business and to have the professional and managerial qualities necessary to lead it. In other words, this person must prove entrepreneurial abilities which are compulsory if a long term success is taken into account. A very eloquent definition of the entrepreneur is that produced by the authors Longenecker, Moore, Petty and Palich in 2006, emphasising very well the main characteristics: the entrepreneurs are those individuals who discover new needs for consumers and who are capable to develop business responding to these needs.

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