FORECASTING AND COMPETITIVE ADVANTAGES IN ROMANIAN SMES

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Given to the fact that organizations' functionality and efficiency are strictly dependent on their capacity to anticipate and set up future plans, highlighting planning/ foresight activities developed within small and medium enterprises in our country has an essential significance in creating a general image. This paper presents several important issues regarding how Romanian set up strategies, policies and acquire competitive advantage.

Key words: SMEs, strategies, policies, competitive advantage

JEL classification: D8, L2, M1

1. SMEs plans, policies and strategies

Research results reveal that annual **plans and policies are issued in 45.24% of the total number of companies, strategies on 3-5 years are issued in 11.94% of SMEs** and no **planning activities[*] are undertaken in 44.55% of enterprises** (figure 1). If we consider that – according to an exhaustive study on small and medium enterprises in EU member countries – within one European SME out of six, strategies are issued and operated, we notice that from the point of view of strategic approach frequency, small and medium companies in our country are close to their homologues from developed countries, in spite of the big difference as competitiveness is concerned. The explanation is that many entrepreneurs, managers and specialists from Romanian SMEs are used to planning activities imposed by centralized economy in communist regime.
We must emphasize that researches carried out in the last years by the European Union revealed that more and more SMEs experience the necessity to issue formal entrepreneurial strategies. Also the quickly and intense processes of activity internationalization, especially economic activities, substantially intensify the necessity to elaborate and implement strategies in an international perspective for each category of companies.

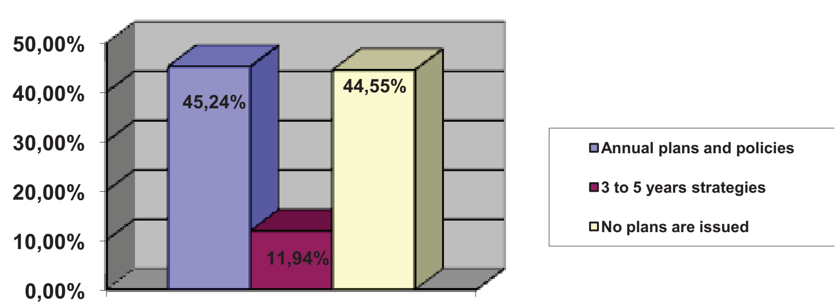

Figure 1
SMEs foresight activities

Analyzing small **and medium enterprises depending on size**, (table 1), we reach the conclusion that the weight of companies in which plans, policies and strategies are issued increases in a direct proportion with the increase of size, because once the size is increased and implicitly the activities are increased, the necessity of developing planning activities and issuing and implementing strategies becomes a stringent matter.

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*The amount of SMEs percentages where annual plans /policies are issued and strategies don't have to be 100%, because there are companies in which annual plans /policies and strategies are issued. Surprisingly, only a little part of business men/ managers indicated they issue both, although plans and policies represent the basis for strategies.

Table 1

SMEs' plans, policies and strategies – classified by size classes

No	SMEs draw up:	Size classes		
		Micro enterprises	Small enterprises	Medium enterprises
1.	Annual plans and policies	38.02%	54.72%	67.27%
2.	3 to 5 years strategies	10.28%	12.38%	21.82%
3.	No plans are being drawn up	53.04%	33.55%	18.18%

If we classify SMEs enterprises by **fields of activity**, we remark the following aspects:
- SMEs within industry field register the highest percentage of companies in which strategies are being worked out (15.38%) because the activity profile imposes an anticipative vision on business development;
- trade business companies hold the highest weight of enterprises where activities are not planned (52.82%) and the lowest percentage of SMEs where annual plans and policies are drown up (37.32%);
- companies within constructions stand out both by the highest weight of SMEs in which annual plans are being worked out (68.97%) and by the lowest percentages of enterprises that think out 3 to 5 years strategies (3.45%) and in which planning activities are not drawn up (27.59%).

See table 2 for further details.

Table 2

SMEs' plans, policies and strategies – classified by fields of activity

2.

No	SMEs draw up:	Fields of activity					
		Industry	Constructions	Trade	Tourism	Transportation	Services
1.	Annual plans and policies	53.37%	68.97%	37.32%	47.37%	43.15%	43.69%
2.	3 to 5 years strategies	15.38%	3.45%	11.27%	13.16%	9.33%	13.13%
3.	No plans are being drawn up	35.58%	27.59%	52.82%	42.11%	47.81%	44.95%

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. This situation is graphically presented in figure 2.

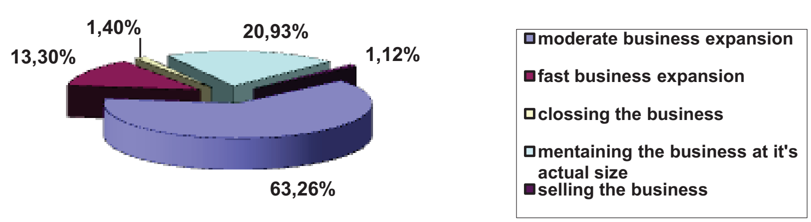

Figure 2
SMEs main objectives for the next two years

Considering SMEs' **size classes** (table 3), 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 is recorded in a higher proportion by medium sized enterprises (71.43%) and fast business expansion is more frequently reported among medium sized enterprises (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.

Table 3

SMEs main objectives by size classes

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 4.

Table 4

SMEs main objectives by fields of activity

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%

3. 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 3.

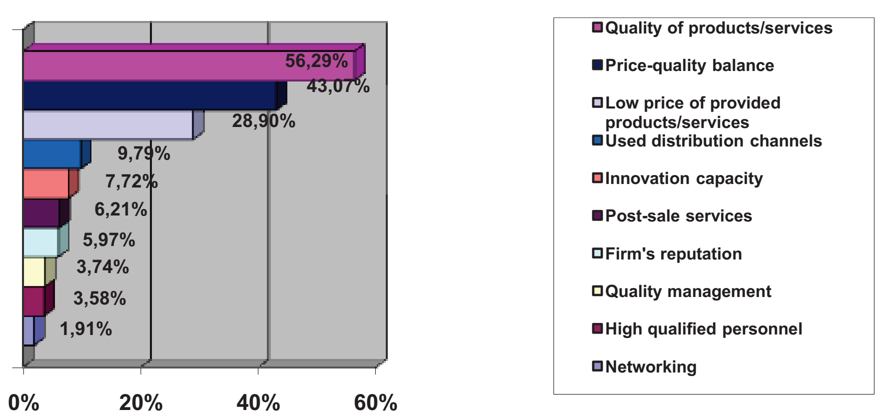

Figure 3
SMEs main competitive advantages

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;
- 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 5 for further details.

Table 5

SMEs competitive advantages by size classes

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

Classifying **SMEs by fields of activity,** (see table 6) 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;
- 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%).

Table 6

SMEs competitive advantages by fields of activity

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%

4. Conclusions

- In 45.24% of the SMEs subject to our research draw up annual plans and policies, 44.55% of them have no planning activities and 11.94% draw up 3 to 5 years strategies.
- The weight of SMEs drawing up plans, policies and strategies amplifies as the size of the enterprise increases.
- Frequency of enterprises where no planning activities are developed is higher for startup companies, economic agents from the South Easter region, micro enterprises with other juridical status, companies within the trade business and those with inferior performances.
- In most of the SMEs (63.26%) moderate expansion of business was established as an objective, in 20.93% of companies the major target is to maintain business at the actual size, 13.30% of entrepreneurs think out for a fast expansion of their business, 1.40% intend to close the business and 1.12% intend to sell business.
- Companies with a view for a fast business expansion registers higher percentage within SMEs with less than 5 years experience (16.95%), those from the North Western region (21.21%), companies of medium size (16.19%), firms with other juridical status (14.75%), and companies within trade business and tourism (15.79%).
- The most important competitive advantages that entrepreneurs consider to have compared to their competitors are quality of offered products/ services, indicated by 56.29% of enterprises, price-quality ratio (in 43.07% of SMEs), low price of provided products/ services (28.90%), used distribution channel (9.79%), innovation capacity (7.72%), post-sales services provided to clients (6.21%),company's reputation (5.97%,), quality management (3.74%), high quality personnel (3.58%) and networking with the political/ economical environment (1.91%).
- The competitve advantage given by the products/services quality is registered in higher weights at the enterprises with more than 15 years of experience (61.54%), from the North Western region (68.57%), medium sized enterprises (71.19%), Joint Stock Companies (62.26%) and SMEs from tourism (71.05%).

5. References

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