

SMES COMPETITIVENESS AND ENVIRONMENTAL INFLUENCES

Sala Diana

West University of Timisoara

Faculty of Economics and Business Administration

Popovici Adina

West University of Timisoara

Faculty of Economics and Business Administration

Bibu Nicolae

West University of Timisoara

Faculty of Economics and Business Administration

In the related literature, there are many ways in which company competitiveness can be defined and understood. The purpose of this research is a better understanding of the SMEs competitiveness from the West Region of Romania. This study presents preliminary results of a research focussed on SMEs competitiveness. There are some positive and negative local and national factors which are influencing firms' competitiveness. This study confirms us our presumptions. The internal and external environment's influences on SMEs are very strong. Managerial competence and good managerial practices are very important factors in the durable success of SMEs.

Key words: SMEs competitiveness, entrepreneurs, environmental influences

JEL Classification: L26, O18

1. Introduction

SMEs plays an important role in our local economy. This role will increase in the future. It is very hard to determine the influences on SMEs competitiveness. We are sure that both factors, internal and external, are important for SMEs competitiveness. We do not propose here a methodology to find which factors are very important in SMEs competitiveness. It is difficult, because the importance of factors is changing now from one period to another. But we can say that, in the actual turbulent environment, these factors are constantly important for SMEs competitiveness: managers and their managerial ability.

2. Literature Review

In the related literature, there are many ways in which company competitiveness can be defined and understood. There is not a universally accepted definition of company competitiveness and there is a lack of precise definition of this concept.

At a country level, competitiveness is determined by productivity, depends on firms strategies, is, partially, the results of relationship between companies and local business environment, depends on social and economic objectives synergy and is influenced by factors from external environment (M. Porter). According to Porter, there are some internal and external factors that create a context in which firms compete and determine the ability of a firm to maintain its market share, to compete successfully. During the time, many researchers focused on company international competitiveness, with examples from multinational companies. A neglected subject was the SMEs competitiveness, especially those companies, start-up firms, from Central and Eastern Europe, which are operating only in a local and/or regional market.

Many researchers are considering that competitiveness is synonymous with success and that means achievement of firm's objectives.

3. Research Methods

Our research is going on from the following *assumption*: the SMEs competitiveness in the Timis county is influenced by external and internal environment including entrepreneur's profile and competency.

We have used a questionnaire with 23 pages, 6 sections (with subsections) and 111 questions. The first section contains information about founder, company, field, employers, turnover in the last 5 years. (basic information). The 2nd section (the entrepreneur) contains information about the entrepreneur: education, training, experience, motivations to start a business, succes factors. The 3rd section (companies profile) contains information about human, physical, financial resources, companies performance. The 4th section contains information about business environment. The last section contains information about entrepreneurship and ethics. This questionnaire was used in a previous research of a finished grant about SMEs competitiveness, directed and managed by Professor Nicolae Bibu, PhD. We also ask a question concerning the current crisis. We want to knpw if their firms were prepared for economic crisis.

The sample included only companies with income statement and balance sheet from an official database. We received and processed questionnaires with valid responses. The companies questioned were from *different fields*: production (70%), trade (20%), others (10%). The majority of questioned enterprises are in the top of *first 50% of competitors*. We focussed our attention on some SMEs county.

4. Results

In Romania, in 2007, the number of active SMEs was about 487,628. In 2009, the estimated number of SMEs was 600,000. Most of the SMEs were microenterprises, (88%), while 10% were small enterprises and 2% were medium-sized enterprises.

Sample structure by field of activity in 2007 shows us that there are many SMEs in the services sector, (75.5% including trade, different services, and tourism). In the industry and energy field were 12.41%, in construction 9.41% and in agriculture and forestry were 2.88%. In our country the number of SMEs was growing continuously since 2002. There was a favourable macro-economic context which influenced many people to start a small company.

In Romania, in 2009, the number of SMEs per 1000 habitants was about 26, very far from the EU average, 50.

In the Timis County, in 2007 there were 22,394 SMEs. Most of them were microenterprises (88.7%), while 8.9% were small companies and 2.4% were medium-sized company. Since 2002, when the number of SMEs was 12318, the number of SMEs was increasing continuously. Year by year, we can talk about a slowly growth. Most of SMEs were in services (79%). In the industry and energy field there were 11%, in constructions were 10% and in agriculture & forestry. The number of SMEs per 1000 habitants was about 32.5 in 2007.

We found that our companies have only internal competitiveness. This concept means that a SME is competing with other companies only in the local/regional/national market, in our case Timis / the West Region or Romania. We think that most of studied SMEs were defensive, very preoccupied to maintain their market share and gain an acceptable profit.

In our studied companies, the turnover was growing slowly in the last 5 years. The profitability rate was 15% (per all). In production SMEs the average of profitability was 10%. In the field of services, the profitability rate was 30%. It is important that we can discuss about the growth process. The net profit has increased continously, but the growth was very slow. The main factors for this continuous increase were: improvement managerial skills; new distribution channels; modernization in technology, growth in production capacity; improvement in people motivation. The products are sold in the domestic market.

We found that *entrepreneurs* are important in the firm's growth process. They are the key in the entrepreneurial process. The owners have learned to become good managers for their business. Most of them have higher education (70%). They have technical education (80%) and economic education (30%). 40% from all entrepreneurs have followed managerial training programmes. The average age for

entrepreneur is 45 year. About the entrepreneur position in company, 80% are also managers, in most than 50% cases they are top managers.

The *external environment* influence on SMEs perceived by owners/managers is very strong. The actual environment is more uncertain, very difficult to understand.

The external environment, is influencing the small and medium sized competitiveness, and of course, management decisions. Through our questionnaires, entrepreneurs-managers have identified some external factors with positive influences on their productive business, in the 2005-2009 (during the first 3 months) period: the increase in the demand for their products in local markets; infrastructure modernization; opportunity for investments financing (EU money, structural programme) simplified access to loans; best quality of raw materials; production methods and modern technologies; growth in population buying power; positive modification in rules, governmental policies.

90% from questioned companies recognized that growth demand for their products in local markets is a very strong positive factors for their business, especially for companies with low performance. 60% from SMEs said that simplified access to loans is not so important for profit growth average rate. Infrastructure modernization is a very important factor for 50% questioned SMEs, per all. 84% of SMEs evaluate as being important the influence of investment financing opportunities on profit and of course on development process. Financing is also very important for business development and for profit growth average rate. Financing opportunity is also important for turnover average growth rate, for 80% of SMEs.

In the same time, we have identified factors which may have a negative impact on business development. Raising prices on raw materials and utilities have a strong influence on SMEs profits. The growth of competition is a very important factor, with a strong influences on turnover and profit rate. Entrepreneurs are expected that competition for resources and clients will be very strong. Legal and political factors are also influencing managerial decisions in company. Too many taxes creates problems for small firms.

Entrepreneurs were asked about their strengths against competitors, which helps them to obtain good results: excellent organization; planning competence; good relationship with workers; marketing abilities; technical competence. Good workers, modern technologies, a good quality of the product/services, a good relationship with actual clients, innovation, enough financial resources, good strategies are also important for company competitiveness.

New EU regulations, including environmental protection, is an important factors with strong influences on companies profit (48.1%).

The main obstacles for business were: the payment for delivering products; the low level of qualified workers and the weakness financial power (difficulties in obtaining financial resources).

Most of firms have appreciated that integration in EU is a positive factor for their business because of opportunities (new markets, free circulation of goods, a better access to raw materials). The influence of this factor on profit rate evolution is not so strong. All of entrepreneurs believe that increasing loyal competition is good, forced them to be more attentive to their products and clients.

Our questioned companies have the ability to provide products/services to consumers in an efficient and effectiveness manners. They have a competitive advantage among competitors and are able to generate profit (even the profit rate is low it is important that is profit).

Entrepreneurs consider that achieving success requires rapid, efficient and effective actions. Companies must be proactive, must be able to forecast the actions of external environment, anticipates changes and to prepare the answers. In our study, micro enterprises and small firms are active-reactive firms. They know that they must react in a short time, since the opportunity/threats have identified.

We can say that in most of the cases we found that there is a strategic approach, thinking, but few companies are really having a strategic plan.

There are many factors, from inside and outside the company, which can create a favourable conjuncture and the company achieve a temporary competitive advantage. The success consolidation

depends on entrepreneurs, on their managerial ability to adapt environmental changes. Small firms are not so oriented to innovation (product, process, method).

In the future, the entrepreneur-manager must talk about sustainable success in both markets. That is why it is not enough for companies to compete only on the internal market.

Most of entrepreneurs said that they were not prepared for the crises. They were not enough interested in growing economic efficiency in their companies, especially reducing costs.

5. Conclusions

After this research, we are able to formulate *some conclusions concerning the SMEs growth and competitiveness*, from our questioned companies:

- For small business entrepreneurs, forecasting time horizon is limited under two years; in most of cases, entrepreneurs are managers and they are very implied in day to day activities. They do not have enough time to prepare long time plans.
- They have personal objectives which are related with companies. We found especially short time objectives.
- They do not use planning modern instruments (for studying external environment).
- They do not use contingency plans.
- Most of entrepreneurs have a flexibility in behaviour.
- Small businesses are very strong market oriented.
- Some external factors (economic factors) have a strong influence on internal competitiveness in the Timis County.
- A very important problem is the quality of qualified workers. We know that people, workers and managers make the difference between companies.
- Personal implication of entrepreneurs in problem solving helps many small companies to obtain favourable economic results. But is not a good practice for long time. As companies grow, managers must learn to delegate authority.
- Management style is influenced by entrepreneur's personality, his knowledge about management styles;
- Many companies, especially small companies have lack of formal information system; they are not able to process efficiently external information. In forecasting, entrepreneurs need many and different information
- In decisional process, managers are based more on creativity and their experience.

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