

# STUDIA

## UNIVERSITATIS BABEȘ-BOLYAI

### NEGOTIA

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## **WHAT MAKES A HIGH-GROWTH FIRM IN SPAIN? A PROBIT ANALYSIS USING FIRM-LEVEL DATA**

**PALOMA LOPEZ-GARCIA<sup>1</sup>, SERGIO PUENTE<sup>2</sup>**

**ABSTRACT.** Many studies have established that a small number of firms, known as fast-growth firms or Gazelles, create most of the new jobs. In spite of the importance of this topic from a policy-point of view, most of those studies are descriptive and limited to a comparison of the characteristics of the high-growth group with respect to a control group of firms. This paper, on the other hand, performs a multivariate analysis of the determinants of the fast growth of Spanish firms controlling for the possible endogeneity of some variables. We use for that purpose a firm-level database with information for about 200,000 Spanish firms per year between 1996 and 2003. We find that being a start-up increases the probability of fast growth by more than 30pp, conditioned on having survived over the period. Firms with initial higher relative wages and debt ratio, up to a certain point, also experience higher chances of fast growth. Hence, as it was established elsewhere, better access to finance and to human capital are key to increase the number and growth of Gazelles. We also find that high-growth firm sustain their expansion with relatively more debt and fixed-term contracts than the rest of the firms in the sample.

**Key words:** *High-growth firms; Gazelles; Probit analysis; Firm-level data*

**JEL Classification:** L25; J23

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## IMPORTANCE OF CRAFTS IN DISTRIBUTIVE TRADE OF THE REPUBLIC OF CROATIA

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**ABSTRACT.** Distributive trade of the Republic of Croatia is an important segment of the Croatian economy. This can be confirmed by the share of distributive trade in the creation of GDP, by the share of employed persons, by the share of the number of registered enterprises and by the share of the number of active enterprises. Crafts are a manifestation of the Croatian distributive trade which, to a certain extent, contributes to the overall increase in its importance, as shown by the mentioned indicators. Crafts form part of small enterprises. Their business position is extremely unfavorable. What makes the position of crafts in the segment of distributive trade even harder is the intensified process of its expansion and concentration, with one consequence being the increased importance of a limited, small number of biggest enterprises. Tradesmen in the segment of distributive trade are mainly small independent merchants who, as a rule, own one business unit such as a shop or a repair shop. The inadequate size of such a business unit prevents the introduction of a basic sales technology on which all contemporary sales formats from supermarkets to electronic sales are based. This basic sales technology includes self-selection and self-service which contribute to the rationalization of business costs, primarily by lowering operating costs and by increasing efficiency through the possibility of increase in permeability of shops. The economic status of merchants is significantly determined by the technological basis of sales. The fragmentation of sales capacities and their technological backwardness are important factors that determine the economic strength of small independent merchants as a whole, as well as the segment of tradesmen. As a rule, tradesmen operate small shops and do not have a diversified sales structure as regards shop formats. This paper looks into the importance of crafts in the distributive trade of the Republic of Croatia.

**Key words:** *craft, tradesmen, distributive trade, the Republic of Croatia.*

**JEL classification:** L81

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## COMPETITIVENESS OF SMEs AND TRENDS ON THE MARKET

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**ABSTRACT.** A new economy is a global economy and it means worldwide trading with services, goods, capital, production and information. Small and middle enterprises play importance role of nationality economies functioning. So there is need to evaluate the potential of small and medium enterprises with the meaning of European integration.

Small and middle companies have pivotal position in national economics in light of formation healthy entrepreneurial environment. Existences of small and middle companies stabilize society because each marked political insecurity and radical currents situation could be for them recourses diversification. Small and middle companies forms healthy entrepreneurial environment. Integration process of the Czech Republic into European union brings the changes of parameters of business environment which needs to be monitoring and evaluated.

The aim of this paper is engaged in the competitiveness of small and middle companies in light of trends on market and using soft factors as are identity, integrity and majesty of company in The Czech Republic.

**Key words:** *Small and medium – sized Enterprises, competitiveness, support for SMEs*

**JEL classification:** M, M1

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## **BUSINESS GOALS OF FAMILY-OPERATED ACCOMMODATION ENTERPRISES: THE CASE OF MUGLA, TURKEY**

**MEDET YOLAL<sup>1</sup>, FATMAGÜL ÇETİNEL<sup>2</sup>**

**ABSTRACT.** Middleton (2001) noted that in Europe 95 percent of tourism businesses, generating perhaps one-third of total tourism revenue, are micro-business and most of these are family businesses (Getz, Carlsen and Morrison, 2004). Contrary to their importance in the economic well-being of the country, they suffer a wide range of strategic disadvantages and weaknesses preventing them from a sustainable development and yielding desired outcomes (Yolal and Emeksiz, 2007). At the most basic level a family business can be defined as "... an enterprise which, in practice, is controlled by members of a single family" (Barry, 1975). The dominance of small and medium sized enterprises in the tourism industry calls for extensive research on the businesses and it is important to expand the knowledge family businesses and the entrepreneurial business goals of these firms. The paper aims at examining business goals of family operated accommodation enterprises.

The sampling frame for the survey is the family-operated accommodation enterprises employing 1 to 10 employees. A total of 105 questionnaires were collected in February and March 2009. The results of the study showed that almost two third of the entrepreneurs were first generation in the family business. The results revealed that the business goals of the family businesses in the study are growth, retirement and slow down. The results also indicated that the entrepreneurs are mostly lifestyle entrepreneurs. The study concludes with discussions based on the findings.

**Keywords:** *family business, accommodation, business goals, Turkey.*

**JEL Classification:** M10

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## STRATEGY COMPETENCES AND PERFORMANCE MEASUREMENT IN THE HUNGARIAN SMES SECTOR

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**ABSTRACT.** Small and medium-sized enterprises (SME) are potentially the most dynamic sector of the economy. SME represent 99% of all companies in the EU. They are the biggest sector of the EU economy, with 23 million enterprises employing around 75 million people. These small organizations are responsible for the creation of one in every two new jobs. SME produce considerably more than half the EU's GDP. Their growth is key for the overall economic well-being. The European countries have several programs and measures in place to promote SME growth. But how do they think about their potential and their future?

This paper focuses on factors affecting the growth and performance of small and medium enterprises (SMEs). The aim was to identify strategic factors differentiating young and long-lived growth SMEs and find out the coherency with performance. A comparison of the two fields shows an interesting picture in the Hungarian SMEs sector. The results suggest that the organization structure and the applied leadership methods exercise an influence on SME growth strategies. The results increase our understanding of the factors affecting SME growth and performance in two different contexts.

This paper draws on survey and interview material, from research with entrepreneurs in small and medium-sized enterprises (SMEs) to examine the process of entrepreneurship and entrepreneurial competences in SMEs. Underlining two main business fields: cost management and performance management. This paper reviews the contribution of cost accounting and strategy thinking, which, it is argued, have been developed for large firms rather than SMEs. More appropriate theories are examined from fields that accepted the impact of uncertainty and dynamics in decision-making, such as performance prism to learning and development. Case study evidence is presented on the nature of entrepreneurial behaviour in growth SMEs and compared with theories in the literature.

**Keywords:** *Entrepreneurship; firm performance; firm strategy; small and medium enterprises*

**JEL Classification:** L25, L26, M21

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## COOPERATION BETWEEN SMEs AND HIGHER EDUCATION INSTITUTIONS - EFFECTIVE TOOL FOR ENTREPRENEURIAL EDUCATION

MARIANA DRAGUSIN<sup>1</sup>, ALINA ELENA BALALIA<sup>2</sup>

**ABSTRACT.** All over the world, large corporations are forced to resize their structures, to redesign their strategies in order to face accelerated competition and to survive in a highly unstable environment. In the same time, the rapid changes become important sources of opportunities leading to an increase of start-up companies, strengthening SMSs' image of main job creator in the economy. In this dynamic context, entrepreneurial education and training has a major role in achieving desired behavioural outcomes, especially in terms of reinforcing ability to respond to different situations, based on creativity, innovation, autonomy, self-direction and self-expression. As stated in the Final Report regarding promotion of SMEs competitiveness: "at higher education level, the primary purpose of entrepreneurship education should be to develop entrepreneurial capacities and mindsets" (European Commission, 2008, p.7). As pointed out by specialists: "today's graduate value is in the ability to manage and apply knowledge in action and in an entrepreneurial context, and not only in the ability to acquire and assimilate knowledge" (Collins & all, 2004, p.454).

This paper advocates the role and importance of cooperation between higher education institutions (HEI) and SMSs sector, its potential to stimulate entrepreneurial mindsets among students. It is an empirical contribution that seeks to link entrepreneurial education within HEI with the SMEs sector, to analyze the reciprocal benefits of cooperation between both parties. A comprehensive literature review and a structured evaluation of current knowledge on this topic are carried out. Appropriate forms of cooperation and their effectiveness are also pointed out. Main challenges for the Romanian higher education system and ways to incorporate appropriate forms of cooperation with SMSs are highlighted, in order to transform entrepreneurial education into a major source of graduates that are job creators not job "hunters", as an indispensable condition to strengthen SMSs sector and Romania's market based economy.

**Keywords:** *entrepreneurial education, Higher Education Institutions, SMEs, cooperation forms.*

**JEL classification:** I21

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## FINANCING TOOLS FOR SUPPORTING SMEs IN ROMANIA

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**ABSTRACT.** One of the most important ways for the development of SMEs' businesses is the credits from commercial banks and non financial institutions. The SMEs' financing through credits depending mostly by its possibility to mortgage and in this way a major role for supporting SMEs is given by Guarantee Funds. In Romania the existence of the Guarantee Funds is the expression of the State assistance for small and medium businesses or for sensitive fields (e.g. agriculture).

Also, in the current context of global crisis, the Romanian government is planning to capitalize the two State banks (Eximbank and CEC bank) to offer new credit and guarantee instruments for SMEs.

Other ways to finance the businesses available for the SMEs in Romania are the European non-reimbursable funds for the development of micro-enterprises, the SMEs' growth through: productive investments, access to financing and consultancy services, access to international markets, implementation of international quality standards, access to the results of research and development activities, facilitating cross-border co-operation, etc.

The accessing these finance instruments requires the own contribution of the beneficiaries, so the credits from banks or other financial institutions and the guaranteeing these credits are needed, too.

**Key Words:** *credit, guarantee fund, SMEs, development, finance*

**JEL Classification:** O12

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## THE STATE OF SME'S ECONOMIC AND SOCIAL RATIONALITY

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**ABSTRACT.** The paper analyse the economic rationality of SMEs (Small and medium size enterprises) trough some pertinent indicators that revels the importance of SME for the employment market and for the entire economy. Despite their adaptability these entities have faced always different problems and the most noticeable has been the need of capital infusion. The paper proposes a new type of capital infusion in Romania: the private equity investment. We explore the venture investment mechanism and its implications at economic level for the SME. To identify the economic impact of venture capital, European preliminary figures provided by EVCA (European Venture Capital Association) will be analysed to determine if private equity capital represents a solution for capital infusion in SMEs.

**Key words:** *economic rationality, social rationality, venture capital, SME;*

**JEL Classification:** D29

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## THE BORN GLOBAL MODEL FOR ROMANIAN SMALL AND MEDIUM ENTERPRISES INTERNATIONALIZATION

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**ABSTRACT.** The article analyses the possibilities for Romanian small and medium enterprises to internationalize as Born Globals. Small and medium enterprises in European economies and all over the world are more and more exposed to global pressures induced by globalization and market integration processes, which amplifies the need to be competitive and confront international markets through internationalization. Small and medium enterprises internationalization is an amplifying phenomenon, which has been the topic of wide spread research efforts in the last decades. The most recent trend in this field is the Born Global model, which points out to small and medium enterprises that show very rapid and intensive international growth right from or close to inception.

In order to investigate the small and medium enterprises internationalization possibilities as Born Globals, several major underlying factors of the emergence of Born Globals are considered, representing both internal and external push and pull forces to internationalization. The applicability of the Born Global model of internationalization for Romanian small and medium enterprises is outlined by the examination of each factor's triggering role in the current Romanian context. Based on this analysis, consequent policy recommendations for stimulating the Romanian small and medium enterprises internationalization as Born Globals are proposed.

**Key words:** *Born Global, Internationalization, Internationalization Policy, Small and Medium Enterprises*

**JEL Classification:** F23

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## **PLUSES AND MINUSES OF BEING IN A GLOBAL VALUE CHAIN – THE CASE OF ROMANIAN APPAREL SMEs**

**ALINA FLORENTINA AVRIGEANU<sup>1</sup>, FLAVIA GABRIELA ANGHEL<sup>2</sup>,  
ELENA RADU<sup>3</sup>**

**ABSTRACT.** In order to survive in the face of continuing global competition, in the long run, developing countries SMEs will have to be inserted into global value chains (GVCs). For the Romanian apparel SMEs, the insertion in a GVC is having farreaching effects on competitiveness, cross-national transfer of new technology, innovation, skills, knowledge and learning, and potentially offers greater opportunities for reaching welfare gains. But it also brings the challenge of being locked into a race to the bottom, “the low road” of competitiveness, based on cutting wages, disregarding labour and environment regulations and avoiding taxation. In this paper we examine the pluses and the minuses of being in the GVC for the Romanian apparel SMEs in order to point up several strategies needed for the “high road” of competitiveness, based on the use of new technologies, efficiency in production and trade, diversified products of better quality. Thus SMEs from the Romanian apparel industry will be able to support higher wages and enhance the national income.

**Key words:** *SMEs, GVC, competitiveness, apparel industry*

**JEL classification:** L25, F23

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## **REENGINEERING THE MANAGEMENT SYSTEM IN SMALL AND MEDIUM ENTERPRISES' FROM ROMANIA**

**ANA-MARIA GRIGORE<sup>1</sup>, CĂTĂLINA RADU<sup>2</sup>**

**ABSTRACT.** In Romania almost 99% of the companies are SMEs. For now the only certainty for Romanian economy is the fact that the ability to “invent” new products and services for clients, the capability to offer quick and creative responses to the complex problems which appear in the organization and the capability to find always new ways to improve key-relationship between stakeholders, are becoming the key-factors for differencing and creating the competitive advantage for today and tomorrows success.

If we take into consideration the present evolutions which state that the SMEs are the new knowledge-based firms, it's necessary that in order to be globally competitive, Romanian companies have to support and enhance individual creativity and to use employees knowledge as a way to increase firms profitability. For Romanian SMEs the necessity of change is becoming more and more urgent. This is why reengineering is becoming fundamental for all organizations. The companies which had the biggest success in persuading the employees about change were the ones who had the clearest messages about the necessity of reengineering.

The paper analyses the role of managerial systems reengineering inside SMEs from Romania. This research intends to demonstrate that reengineering the management system is one of the main conditions to ensure the economical and managerial success of an organization on a period of three to five years. It became compulsory that management system reengineering should follow a special methodology which respects a logical succession of different phases. Based on SMEs development from Romania the paper will present each phase of the reengineering process and in the end will draw some conclusions about future improvements for management system reengineering.

**KEY WORDS:** *Small and Medium Enterprise, Reengineering, SMEs, Management Systems, Reengineering Methodology*

**JEL Classification:** M10, L25, D80, O15

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## MEASURES TO SUPPORT SMEs IN THE EUROPEAN UNION

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**ABSTRACT.** This paper aims to identify and analyze the principal measures by which European Union supports the establishment and development of small and medium enterprises. SMEs taken individually have a very small power but if we analyze all SMEs in a country we find that they have a very important role in the economy because they provide jobs and their performance may influence the degree of development of an economy. Thus, the European Union focuses its efforts to support SMEs in various fields; these efforts are geared towards both easier accesses to financing and in the direction of regulations, competition, stimulating entrepreneurship. Through this paper we analyze all these measures taken by the European Union and their implementation results. And finally, we will conclude if these measures are effective or not.

**Key words:** *structural funds, the internationalization of SMEs, entrepreneurship*

**JEL classification:** D92, F36, G32

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## **WILL THE ROMANIAN SMEs BE LISTED ON THE BUCHAREST STOCK EXCHANGE?**

**CRISTINA CURUȚIU<sup>1</sup>**

**ABSTRACT.** The research provides a selective overview of the existing information regarding the SMEs' trading on the Bucharest Stock Exchange. Due to the fact that the Romanian SMEs' needed a different type of financing among the ones that already existed, the discussions regarding their trading started in 2005, but with no concrete result until now. Following, a review of the facts that occurred related to this subject will be presented. The last part of the article will present the conclusions that can be drawn and the SMEs' present situation related to the Bucharest Stock Exchange.

**Key words:** *SMEs', Bucharest Stock Exchange, capital market, SMEs' financing*

**JEL classification:** M21, G10, G32

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