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CHALLENGES FACING UK SMES IN INTERNATIONAL DEVELOPMENT

ANNE HAMPTON¹, JAMES ROWEL²

ABSTRACT. In the UK, Small to Medium Sized Enterprises (SMEs) are encouraged to develop overseas business for a variety of reasons, such as sourcing of products and components, seeking new markets and developing international partnerships. Although the UK government, industry leaders and professional bodies encourage international growth, SMEs themselves also recognise the need and benefits of trading in international markets. One of the major challenges facing SMEs, and particularly owner-managed business, is how to formulate their approach to international markets.

This paper aims to establish key issues UK SMEs are facing in the process of trading internationally. The paper is based on qualitative research exploring the concept of 'global mindsets' and the extent to which this approach is applied in SMEs operating internationally. The research views the concept of a global mindset from a wide perspective and includes: awareness of global issues; knowledge about other countries and cultures; development of competencies and aptitudes needed for working in and operating a business in a global context; and SME responses to cultural perspectives (as managers, employees and customers). The level of awareness of needing deep local knowledge and cultural sensitivity in building good relationships with suppliers, distributors and customers is also discussed.

The 'soft skills' that MNEs either recruit or develop amongst their international managers, are not readily available to SMEs. SMEs must therefore develop their own understanding of the skills required in order to build their organization's capability. This research focuses on identifying the decisions and actions needed for SME international business development, including the resource implications and timescales needed to develop markets and build relationships.

Key words: *SME, International Capabilities, Global Mindset, International Business*

JEL Classification: M16

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EMPLOYMENT GENERATION BY SMALL PRODUCERS IN SPAIN

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ABSTRACT. Despite the relevance in terms of policy, we still know little in Spain about where and by whom jobs are created, and how that is affecting the size distribution of firms. The main innovation of this paper is to use a rich database that overcomes the problems encountered by other firm-level studies to shed some light on the employment generation of small firms in Spain. We find that small firms contribute to employment disproportionately across all sectors of the economy although the difference between their employment and job creation share is largest in the manufacturing sector. The job creators in that sector are both new and established firms whereas only new small firms outperform their larger counterparts in the service sector. The large annual job creation of the small firm size class is shifting the firm size distribution towards the very small production units, although not uniformly across industries of different technology intensity.

Key words: *Firm-level data; employment creation and destruction; firm size distribution*

JEL Classification: L11; L53; J21

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THE SUPPORT OF TECHNOLOGY DEVELOPMENT IN IMPERFECT COMPETITION (SELECTED ASPECTS FOCUSED ON SMES IN THE CZECH REPUBLIC)

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ABSTRACT. The phenomenon of globalization affects a lot the reality of imperfect competition and it influences its forms. The imperfect competition includes two extreme forms and each from them is connected with specific problems. An enterprise generally disposes of reasonable resources for an implementation of technology development in the monopoly position but practically it does not have any motivation to implement it. The monopolistic competition, represented by SMEs, is motivated to implement technology development. However, financial resources are usually missing. In this situation, the role of state or “supra-state” (the EU) support can be considered as irreplaceable.

The support of SMEs in the Czech Republic reflects the EU-framework. In the period 2007-2013, the most of the finances from public resources, affecting SME competitiveness, flow into the Czech Republic from the EU structural funds, namely through relevant published operational programmes.

The platform of “technology centres” was made in the previous period and it was allocated in separate regions. Their significant role is the support of technology development and innovation focused on SMEs. Research results show that these technology centres differentiate by founder, as well as by their capital power and operational performance. As a result, it presents a different rate of the fulfillment of their main role: to support innovation trends of SMEs effectively. Simultaneously, the research presents – in the framework of the analysed problem – a connection between the support of technology development and indicators of wealth in regional context.

Key words: *Technology development, imperfect competition, SMEs, technology centres*

JEL classification: D43; M13; O32; R11

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ALLIANCE DECISION-MAKING OF SME: PHASES AND INFLUENCE FACTORS

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ABSTRACT. Experience of some countries shows how alliances have helped SME (small and medium enterprises) to be successful; however, this strategy is still not very popular in many other countries. Managing alliances is no more difficult than deciding to enter into such a cooperative relationship. Many researchers, particularly in the advanced countries have studied strategic alliances with special emphasis on large enterprises and focused as a way of internationalization but there is still a gap of references to understand how this decision is taken from the SME: what makes SME to be engaged in alliances? which factors are playing an important role into this decision? The innovation of this research is to provide a framework of alliance decisionmaking process based on five phases as well as the identification of key factors that make SME to be engaged on alliances. The proposal is based on different perspectives from the social capital, mainly social exchange, and economic development into the alliances decision making particularly in SME. This research could be especially attractive to the different actors involved in SMEs: government; large enterprises, universities and Nongovernment organization in order to focus their effort on those weak phases or factors that may be potentially developed in a new way of joint working. The empirical data comes from a sample of Mexican SME. The preliminary results show that the perception of the enterprise competence and the identification of potential partners are critical phases into the alliance decision-making process. Although most of the entrepreneurs desire to be involved in alliance, the lacks of possession of information about alliances issues as well as the lack of trust are key factors that limit this decision.

Key words: *Alliances, decision-making, phases, influence factors.*

JEL Classification: D01

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RECRUITMENT AND SELECTION SERVICES OFFER FOR SMES: THE CASE OF ROMANIA

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ABSTRACT. Considered to be the engine of the economy, the SMEs sector has a well defined identity in the configuration of any modern economy, helping to renew its structure and to increase its competitiveness. In Romania, the small business sector had to be practically recreated after decades of centralized economy. The statistical figures confirm once again that this sector can be one of the main sources of growth that Romania should rely on as a new member of EU family.

SMEs are usually displaying an increased responsiveness to market needs in a dynamic and complex working environment. Thus, SMEs have relied on human resources as a source of competitive advantage. More and more entrepreneurs are becoming aware that quality of the hired human resources is one of the main success variables⁷ and that recruitment and selection processes require professional approaches. In that sense, SMEs' demand for these services has increased significantly. As a consequence, SMEs sector, as the most important new job generator, highly stimulated such services providers' development.

This paper is aiming to point out the specificity of the recruitment and selection services offered to SMEs on the Romanian market, based on a complex and comprehensive research. Data on 129 identified services' providers (in 2008) were grouped and analyzed in order to highlight their main characteristics according to several variables: firms' size and age; their targeted markets and clients; the types of services offered; their specific working methods and techniques; price strategies. The results revealed diversity and flexibility as essential attributes of the recruitment and selection services' offer for SMEs, along with a growth trend. Further research is required in order to explore economic crisis' impact on this market.

Key words: *SMEs, recruitment and selection, services, offer*

JEL Classification: D00, M12

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THE ROLE OF KNOWLEDGE IN THE INTERNATIONALIZATION PROCESS OF SMALL AND MEDIUM ENTERPRISES

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ANDREEA MIHAELA GAGEA³, ANA-MARIA GRIGORE⁴

ABSTRACT. The article analyses the role knowledge plays in the internationalization process of small and medium enterprises. Small and medium enterprises are considered from a knowledge-based view, an extension of the resource-based view of the firm, with knowledge as the most strategically significant resource of a firm and the basis for building and sustaining competitive advantage in nowadays complex, dynamic environment. Knowledge may be thus viewed as an essential determinant of small and medium enterprises internationalization processes. The assigned models of small and medium enterprises internationalization refer to this role, and an examination of the different approaches allows for an integrated view of the ways in which knowledge may determine, influence and support small and medium enterprises internationalization.

Small and medium enterprises internationalization strategy development implies several specific phases which are analyzed in order to identify the knowledge necessities for internationalizing small and medium enterprises. Knowledge is then object of certain knowledge processes which include knowledge acquirement, through creation or acquisition, use, handling and development, and revaluation, that are further analyzed according to their specificity related to small and medium enterprises internationalization. A special focus is placed on the process of knowledge acquirement, as the main premise of the internationalization process. These considerations are applied in the case of Romanian small and medium enterprises, providing proposals regarding possible ways of integrating knowledge in the process of internationalization and facilitating their access to knowledge.

Key words: *Internationalization, Knowledge, Knowledge-Based View, Small and Medium Enterprises*

JEL Classification: F23

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**THE QUANTIFICATION OF THE FISCAL IMPACT OF THE SOCIAL TAXES
AND CONTRIBUTIONS LEVIED ON EMPLOYED LABOR ON SMALL AND
MEDIUM SIZED ENTERPRISES. IT'S ROLE AS A TOOL OF ECONOMIC
COMPETITIVENESS**

**ANTONIU PREDESCU¹, IULIANA PREDESCU²,
GEORGE HORIA IONESCU³, RUXANDRA DANA VILAG⁴**

ABSTRACT. In the actual world economic framework, in which the financial crisis is running at full steam, and is being felt, not in the least, by the small and medium enterprises, the fiscal impact of the social taxes and contributions levied on employed labour (*id est*, on employed labour income) is of the outmost importance, for the management of such firms.

In this paper we intend both to quantify the amplitude of this particular impact, through the use of the index known as Implicit Tax Rate on Labour, and to highlight the main measures needed to be adopted, if the management of small and medium enterprises is to diminish the possible or probable negative effects of this type of fiscal impact, impact which is punctuated by the Implicit Tax Rate on Labour index.

For the emphasizing of the main features of the managerial strategy needed to be adopted in this case, we use the strategy of pointing up this particular type of fiscal impact on the small and medium enterprises of Romania, given its quality of being part of the European Union.

Key words: *fiscal impact, implicit tax, small and medium enterprises*

JEL classification: E24, E62, H32

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MEASURES FOR THE IMPROVEMENT OF MANAGEMENT IN ROMANIAN TRADE SMEs AFTER EU-INTEGRATION

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ABSTRACT. Romanian trade SMEs face a difficult period since the country's accession to the European Union due to various reasons, such as competitive pressure from large retail chains and the increased regulatory burden stemming from EUnorms. This paper analyses the situation of trade SMEs in Romania, especially relevant as they form an important body of the whole SME sector. The internal strengths and weaknesses of trade SMEs are confronted with the opportunities and threats generated by the new tendencies in European trade. Thus, the impact of Romania's integration in the EU on the management of trade SMEs is investigated. A series of five managerial options are proposed as a response to the realities in the sector: IT and internet adoption, orientation towards growth, association in clusters, outward orientation, and differentiation. Summing up, the paper combines internal and external factors affecting Romanian trade SMEs and issues some suggestions for the management of such enterprises, aimed at enhancing the efficiency of their operation.

Key words: *SMEs, trade, management*

JEL classification: L81

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THE CHALLENGES OF SMES IN MODERN MARKETING

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ABSTRACT. SME's are actually driving Romanian economy, especially after the European Union integration, but the risk of failure is obvious due to the lack of openness to the modern times.

SME's need to upgrade their competitiveness and their knowledge about online marketing and the complexity of the market. Most of the SME's disregard the importance of marketing promotions services. The Internet is also considered an expensive and sophisticated way when it comes to advertising for small companies. Wrong! The Internet offers unlimited resources at present, even many free promotional services, even beyond the geographical borders. Limited online promotions have a great impact on the image of small businesses compared to big enterprises that invest a specific amount of money on web advertising.

When talking about small businesses we confront many difficulties and limited sources of promotion and advertising therefore, limited local promotion online may be the winning solution.

Promotion and advertising beyond the geographical borders is what SMEs should focus on, getting an online identity and to expand the business in a cost efficient way. This article includes a research on the challenges that SMEs are facing in the modern times and the risk due to the lack of openness towards it. It also presents the advantages and disadvantages for an online successful marketing promotion of the small businesses through direct e-mail marketing and the cost efficiency of the method used in the modern times.

Key words: *modern marketing, marketing promotion services, online marketing, e-mail marketing, SMEs challenges.*

JEL classification: M31

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ELEMENTS OF STRATEGIC PLANNING PRACTICES IN TRANSYLVANIAN SMEs

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ABSTRACT. The purpose of our study was first to investigate to what extent Transylvanian SMEs conduct planning activities and if these activities take the form of written strategic plans. We have analyzed these aspects according to firm size and main field of activity. Then we investigated if SMEs have formulated a mission statement and we tried to determine if this is influenced by factors such as company size or field of activity.

An element of strategic planning is the formulation of goals so we wanted to know what areas the firms participating in our study set objectives for and if there is any connection between these areas and company size or field of activity. We were also interested to know which the overall objective of the company is for the next two years.

Key words: *strategy, strategic planning, mission, objectives*

JEL classification: L10, L21, L26, M00

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THE CHANCE OF SME'S IN TODAY'S MARKET

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ANCUTA-MARIA PUSCAS³

ABSTRACT. Once Romania entered the European Union the standards of the market and its demands increased in such a way that the Romanian SME's had to adjust in order to survive. Their financial efforts were considerable high and the expected results came only for a few of them. One of the main causes was the unfit adjustment to the real cash flow of the market. Some of them made it through and even expended, proving to the European world and economy that Romanian companies are competitive and worth taking into consideration. Some of them died.

In today's conditions, the situation tends to get worse. Due to the extended crises, few SME'S are expected to maintain position, and fewer to survive. As optimistic as we all may be, without proper access to European and internal founding programs to sustain them, the lack of money will bend their evolution and further more the entire economic growth.

Key words: *SME's, competitiveness, European market, money, founding programs*

JEL classification: A1; A10

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IMPLICATIONS OF RESTRUCTURING ON THE SME's ACTIVITY

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ABSTRACT. The aim of this paper is to emphasize the importance of the operations of restructuring on small and medium enterprises in the current crisis. Small and medium enterprises can not face alone the current financial conditions imposed in particular by the phenomenon of globalization. Competitive working on world market requires the adoption of those measures for reorganizing the company to be taken in relation to the existing and new operational requirements that are necessary, the adoption of a system of effective flight management and an appropriate strategy.

Key words: *restructuring, conflict of interests, M&A, LBO, MBO*

JEL Classification: G34, J2, D74

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ACHIEVING SUSTAINABLE COMPETITIVENESS IN THE CASE OF ROMANIAN SMALL AND MEDIUM-SIZED ENTERPRISES

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RUXANDRA SAVONEA³, ANA VOITINOVICI⁴

ABSTRACT. Recently, it has been noticed that the challenges of sustainable development are felt at different levels - national, regional and at the level of small and medium-sized enterprises. Supporting an economic development on the long run highlights the necessity for an increased degree of competitiveness, which should be the base for enhancing the living standard of its habitants.

Regarding the assurance of a sustainable development in Romania, we should take into consideration overcoming disparities separating us from the other EU member states. In this context, the competitiveness of small and medium-sized enterprises is closely connected to a series of topical aspects, such as innovation, environmental and risks prevention, investments in energy-efficient technologies. Energy efficiency, for example, enhances the profit of small and medium-sized enterprises in the short, medium and long term, as it means less energy for the same output, or even for a better one. Considering all mentioned before, adapting in a changing market situation is the key issue for Romanian small and medium-sized enterprises.

The Lisbon Agenda, through its objectives, impels the competitiveness and innovation at a new extent, in order to become driving forces of development. Further, this process underpins the New Lisbon Agenda framework, where the emphasis is put on economic development, based on knowledge and innovation. We can state that this strategic paper represents the way to achieve a competitive Europe.

Achieving a sustainable competitiveness should be the driving force for Romanian small and medium-sized enterprises. The new market perspectives urge for finding the best practices and means for adaptation.

Key-words: *competitiveness, small and medium-sized enterprises, sustainable development, Lisbon Agenda, economic convergence.*

JEL classification: Q01, Q40, R11, R58

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