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

MIHAELA ŞTEFĂNESCU, CRISTINA MIHAELA BĂLĂNESCU (RADU), RUXANDRA SAVONEA, ANA VOITINOVIĆ

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

1. Introduction

In the last years Romania tried hardly to find its place and role in a continuing changing and reshaping European Union. In the conditions of integration, the competitiveness issues are becoming vital for the Romania’s economy. In this
context, it is urgently necessary to draw up and apply precise strategies at different levels - like the one of the small and medium-sized enterprises or the governmental one - that should include clear objectives and specific actions.

In our vision, competitiveness is associated with specific means and actions that determine the improvement of the living standards and the environmental protection. In other words, this concept takes into consideration the possibility of obtaining sustainable competitiveness’ advantages on the long run.

The Lisbon Agenda created a favorable framework for consolidating the position of medium sized enterprises. Their place and role in promoting economic development is highly recognized at the European level. In this context finding the best practices and means of adaptation in reaching sustainable competitiveness are considered to be the main challenges.

Due to the economic crisis, the economic market is facing new types of situations that are requiring urgent multilevel actions. As a consequence of all the transformations that took place starting with 2008 and continuing with 2009, the national governments and the European Commission have begun reflecting on the post-2010 Lisbon Strategy. In this context, they will take the step from urgent crisis management to long-term sustainable economic recovery.

Due to the international recession, the Romanian medium sized enterprises are facing new challenges in their uneasy road to reaching success. Therefore, concepts like regional competitiveness, sustainable development or cluster theory can offer new perspectives regarding the economic development.

2. General framework

2.1. Literature review

This section of the paper is aiming to catch the main trends regarding the linkages among regional competitiveness - sustainable development - economic convergence.

Regional competitiveness

The recent papers are showing a constant interest regarding this area of research, highlighting the active role played by competitiveness at national and regional level.

There are discussions about the profile of an optimal competitiveness area. In this context, Cojanu (2007) sustains that this type of area is spatially defined, having the base for assuring a sustainable development of its industries and companies, in the conditions of the competition’s benefits maximization. The main motivation of the industries and companies to group is directly associated with savings resulted from the chosen location. Cojanu also remarks that the industrial
and commercial activities tend to become spatially concentrated in clusters in one region.

Danson notices that the business cluster’s expansion is causing gaps of development and a continuously fight in the case of peripheral companies that are trying to compete with those companies situated in centre, which are benefiting from a competitive advantage determined by factors that should not be easily transferred. (Danson M., 2009)

Porter (2003) suggests that some regions - let’s consider them the centre - serve a large market, which will attract those industries with smaller medium prices as the production volume is increasing. Compared with the centre, the periphery is facing the challenges of economic activities delocalization. The regional economic performance is strongly influenced by the action of the companies situated in the local clusters. The importance of being part of a cluster is derived from the training effect and from the relation with public bodies. The final result generates the increase in productivity and the setting up of new business centers.

Charlie Karlsson (2008) argues that in the case of a sufficiently larger market the clusters can extend with a direct effect over the economic increase of the considered region. This process is not a linear one; it is more adaptative, having the characteristics of an auto regulatory one.

The advantages associated with the status of being part of a cluster are multiple. The main reason is directly connected with an efficient promotion throughout the cluster’s level and also throughout the regional level where it activates. Pros this perspective are the following aspects: the existence of strongly linkages between the clusters and the research and development area; the increase of competitiveness for the companies that are members of the considered cluster and an easily access to know-how.

Due to all these, the increase in the number of clusters is directly influencing the local and regional level of a country. A dynamic cluster has all the chances of attracting new investors which are searching competitive advantages, due to the fierce competition on the international market. (Mihaela Ştefănescu et al, 2008)

Another opinion regarding the concept of competitiveness is defined as a ‘milestone between collaboration and cooperation’ within the network of companies from one region. This perspective is also known as ‘the instable triangle of 3 C’s’. (Antamescu D., et al., 2007)

Karen R. Polenske (2004) considers as a sine qua non condition for reaching success the fact that companies should operate synergistically with all the three components: competition- collaboration- cooperation.
Lam, Alice and Lundvall, Bengt-Aake (2007) suggest that the factors which are in favor of the 3 C’s turning up are:
- the geographical proximity (the spatial proximity determines the companies from one region to develop more rapidly);
- the confidence (it is developing in time, based on collaboration);
- the learning process represents the only source for having a long term competitive advantage, due to the fact that the ability of learning can assure the development of new competences. This process is directly influencing the performance and the innovation capacity of the companies, being an activity performed in all the fields of the economy.

The learning process can also be put into practice at the level of one region, which takes an active part in it. The companies from regional clusters benefit from a common regional culture represented as a vector for the learning process.

Other perspectives concerning the regional competitiveness are in the phase of development and are dwelling on the dynamical aspect of the regional competitiveness aspect (Boschma, 2004). The main suppositions are referring to the fact that the economies of the regions are different from one another and these differences are persisting in time. Other aspects highlight that the competitive advantage is determined by the economic activity, labor force, the flexibility of its institutions and innovation.

Source: Mihaela Ștefănescu et al, 2008
Asheim et al. (2007) underlined the important role played by knowledge in the context of development, and pointed out the fact that knowledge distribution is easily done due to a series of complementary factors (hence knowledge database, shared responsibilities). The authors emphasize the role played by the knowledge spillover effect in the sectors of activity from one region.

- **Sustainable development**

  The concept of sustainable development is reflected in the specialized literature as an intercorrelation between three dimensions: economic-social-environmental. There is a continuous debate regarding the best practices of achieving and measuring it. However, the most known definition is the following: "Economic and social development that meets the needs of the current generation without undermining the ability of future generations to meet their own needs"\(^5\).

  “The solutions for achieving a deeper degree of sustainable development should be found in the incorporation of the sustainable development’ principles throughout the society. The creation of partnerships for sustainable development will be an attempt to redirect the development on a new path” (Ştefănescu, Bălănescu, 2008).

  In this context, the European Union included the sustainable development in the Amsterdam Treaty (1999), followed by the Göteborg Council where the EU Sustainable Development Strategy was adopted (2002). In June 2006, the revised EU Sustainable Development Strategy was launched, promoting a *dynamic economy, with a maximum level of employment, a high level of education, health protection, social cohesion and environmental protection.*

- **Economic convergence**

  The challenges associated with the clusters appearance are generating a debate also on the process of economic convergence. The main reason for making this connection is highlighted by Danson M. (2009), who affirms that clusters allow one region to develop, while the others might be in a totally disadvantageous position.

  In the context offered by the entrance to the European Union, Iancu A. (2008) observes that the level of a country’s development is not a precondition for accession or an issue for the agenda during the negotiation process. Today the process of catching up is an extremely important topic at European level.

  Ceapraz I. L. (2008) proposed to analyze the specificity and spatial concentration at the level of Eastern-European countries and of the Romania’s regions. The author remarked that in the case of the former, communists stated: “the competition and the markets openness made the necessary changes in the production structure and in the localization of the activities”. In author’s opinion, the integration into the European Union is bringing about the appearance of a centre -periphery model.

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5 World Commission on Environment and Development (WCED), known as the Brundtland Commission, 1987.
Due to this, we should observe the appearance of the activities concentration processes within a region and relocation of others in the peripheral regions.

As we could see, the concept of competitiveness- in this paper with reference to the regional competitiveness- should be seen in a direct connection with the economic convergence process. The sustainable development aspects should be considered as ubiquitous elements that should be included in any plan that aims to streamline the future effects of development.

In the case of Romania, the convergence process is trying to follow the EU in terms of economic development. The nominal and institutional convergence represents the base for maintaining the stability of the functional framework, but the real convergence is the way to achieve prosperity.

The perpetuation of inequality models- like the one of centre- periphery- determines sometimes a golden rush for overlapping the development gaps from the part of different kinds of actors (hence: countries will offer special investment conditions for attracting foreign investors, regions will try to create favorable conditions for increasing the living standards of their citizens, small and medium-sized enterprises will try to reinvent their strategies of investments etc.)

Romania’s international competitiveness ranking is showing several aspects that should be improved hence: market efficiency, business sophistication, education, technology readiness and innovation. When analyzing some different aspects such as the Comparative Advantage or Intra-Industry Trade, we can observe that the current economy is still labor intensive, needing urgently capital infusion in order to increase its degree of competitiveness. For dealing with this necessity there is the Sectoral Operational Program ‘Increase of Economic Competitiveness’ which is one of the seven instruments under the Convergence objective, for achieving the priorities of the National Strategic Reference Framework, aiming to strengthen the Economic and Social Cohesion policies across Romania. The main objectives are to increase the productivity of Romanian companies respecting the principle of sustainable development, and reducing the disparities compared the EU’s average productivity level.

Ruxandra Savonea highlights, regarding the EU’s projects, the fact that in the 2000-2006 programming period, the influence of externalities generated by structural intervention impact on third parties does not propagate through the prices mechanisms. The researcher suggests that their influence arises from the project’s economic activity but they are not reflected in prices. Such external effects generated by major projects must be quantified according to standard methods and inserted in the analysis as an actual output of the projects.(Savonea R., 2009)

In order to help the European Small and medium-sized enterprises, the Enterprise Europe Network6, the largest network for enterprises and innovation in Europe was set up. It offers integrated information, business cooperation, services

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6 The Enterprise Europe Network has partners in 40 countries, having more than 500 offices all over the Europe and in third countries (e.g. EU’s member states, candidate countries, members of the European Economic Space, associated countries to the Competitiveness and Innovation Framework Programme).
of innovation, transfer etc especially for medium-sized enterprises. The network’s members support the companies willing to participate within the Commission projects and fulfilling the administrative criteria. This network also supports innovation, by providing brokerage services for technologies’ transfer and knowledge.

Due to the recent international evolutions, the globalization of R&D is an issue which must be approached through a sustainable perspective. Large firms are able to finance most of their R&D and innovation effort internally. On the other hand, entrepreneurs must be granted access to external financing for business plans which require a relatively high investment risk and where the expected returns may only be realized on long-term. Venture Capital can play a critical role in the creation and expansion of R&D - intensive SMEs whose research requirements generate knowledge services. (Savonea R., 2008)

2.2. The European competitiveness model in the context of Lisbon Agenda

The Lisbon Strategy was initially designed for helping Europe to become ‘the most competitive economy based on knowledge’ until the year 2010. At the half way, the strategy was reviewed and, due to the results obtained, the emphasis was further put on economic development and employment, based on technological progress.

The research- development- innovation triangle is one of the most known components of Lisbon Agenda and the main framework for beginning specific actions in these areas. In order that all these areas of interest became reality, the European Union’s member states undertook to spend from their public budget 1% from GDP for research & development, and to facilitate private spending amount of 2% from GDP.

The Lisbon Strategy proposes two types of objectives, taking into consideration the time perspective:

- **on the short run**, it aims obtaining a rebalance between demand an supply at the community level;
- **on the long run**, the objectives are directed to increasing competitiveness and the employment level, aiming in this way to harmonize these objectives with those of the cohesion policy.

The Lisbon Strategy objectives are hitting different areas of interest, hence:

- research & development, innovation, informational society;
- improvement and simplification of the legislative framework of business environment;
- consolidation of the position of medium sized enterprises. We should take into consideration the fact that the majority of suppliers are medium-sized enterprises, being viewed like a real engine of the development of the European Union;
- completion of the internal market for services (mainly for financial services, logistical support, marketing, management etc.).
- elimination of obstacles regarding the physical, academic and occupational mobility and the development of a common approach regarding migration;
- support for the efforts for counteracting the social consequences of economic reorganization;
- development of human capital, entrepreneurial, labour force flexibility etc.;
- development of transport infrastructure, energy and telecommunication at European level;
- resource sustainable usage, energy efficiency, development of renewable energy and green technologies.

The implementation mechanism of the Lisbon Agenda implies common targets at Community level, but also gives every country the possibility to choose the best ways of action.

The evolutions at European level determined the revision of the Lisbon Agenda, in March 2005. The first signal regarding the degree of accomplishment of the engagements undertaken through Lisbon Strategy had been given by the Sapir Report ("An agenda for a growing Europe: making the EU economic system deliver", 2003). The report also noted remarkable progress regarding the institutional part. Unfortunately, when it comes to the economic performances, the report mentioned that the European Union could not foster a satisfactory economic increase.

The Kok Report (November 2004) recommended a series of measures in order to correct the absence of national implication with regard to the Lisbon Strategy, in order to ensure the political mix coherence for the participation of all the stakeholders, enhancing the social cohesion at the EU level.

In the report called ‘Keeping up the pace of change’ (December 2007), the European Commission mentioned a series of conclusions regarding the objectives of the Lisbon Strategy accomplishment. In this context the strategy is viewed as ‘the European Union vehicle which is accompanying change’.

In 2008, the European leaders launched the second cycle of the renewed Lisbon Strategy for growth and employment (2008-2010).

Faced with the current economic crisis, we should look into the future of the Lisbon Strategy beyond 2010. The reflection process should start by identifying the key priorities for the post-2010 period, taking by all means into account the lessons learned in addressing the current crisis.

Taking some steps forward in the light of the actual economic situation, the national governments and the European Commission have begun reflecting on the future of the Lisbon Strategy. Consequently, the European Commission will open a broad Internet consultation process in autumn 2009, on the revision of the Strategy. The main topics are:
- improving the business environment;
- the knowledge 'triangle' (education, research, innovation);
- energy and climate change;
- assuring a better access to the internal market.
3. Research Methodology and Findings: The Romanian small and medium-sized enterprises in the new economic perspective

The European Commission\(^7\) offered in its last economic forecast report an overall picture regarding the current situation throughout the European Union. In the case of Romania, there is mentioned that the growth registered since now is contracting sharply\(^8\) due to the recent international economic situation.

Due to the new economic perspectives, the Romanian small and medium-sized enterprises are facing harsh market conditions. In order to succeed in a European competitive market, there is an urgent need for developing new core competencies, new innovative processes and a closer cooperation for reaching sustainable development. In this case, the simple question _qui bono_ has a simple answer; all of us will be the winners. Being an EU’s member state has a lot of advantages, but also there are many daunting situations that should be over passed by learning to find solutions.

The Romanian small and medium-sized enterprises are and should be considered as one of the main driving forces for reaching development in order to reduce the gaps between us and other European regions. The main ways are representing viable alternatives for a better collaboration, such as:

- the importance of developing new core competences that should assure a flexible adaptation for small and medium-sized enterprises in a changing international environment;
- paying attention to strategic investments, R&D on the long run development;
- the accomplishment of a new clear vision on the European/ international market, a provocative goal that should be considered as a key element for reaching success.

Other motivations that are pro collaboration are represented by the _external shocks_ (sometimes difficult to be foreseen dint their spontaneous character) and by the need for sustainable development (seen as a stringent condition for reaching equilibrium between the economic- social- environmental aspects).

The best possible way in reaching success in the current economic situation for the Romanian small and medium-sized enterprises is represented by the association in clusters. The increase in the number of clusters will have a direct effect on the development: firstly at the regional level and secondly at the national level.

\(^7\) The report was realized by the Directorate-General for Economic and Financial Affairs.
\(^8\) The report mentioned that the ‘GDP growth is projected to turn negative in 2009 to around -4%’. A decline is also viewed regarding the unemployment, which is foreseen to be around 8% in both 2009 and 2010. In the case of inflation it is projected ‘to decrease following lower wage growth and still low international commodity prices.’ During this year (2009) the inflation is expected to be 3.5 +/-% (respecting the national bank target).
We can say that between development and competitiveness there is a close interconnection. The key condition for reaching the desired development is the increase of competitiveness. Achieving a high sustainable competitiveness level in the case of Romanian small and medium-sized enterprises is a key priority.

A way to achieve this is by improving energy efficiency. This will enhance competitiveness and thus the ability to raise profit and face the market competition. In the current context of the debates, concerns, meetings and engagements at national, regional or global level, regarding the efforts needed to tackle climate change, to adapt to its negative effects and to limit global warming, improving energy efficiency would also only serve this purpose.

Energy efficiency, practically the most spread and cheap source of energy, is the first pillar of a sustainable energy future. As Cathy Zoi, executive director of the Sustainable Energy Development Authority, Australia, said, “If business is to take energy efficiency seriously, it must not only pay for itself, but in the mid term contribute to improving profitability”9. Companies have at their disposal a range of options: reducing energy consumption; increasing the share of renewable energies; investments in renewable energy technologies; insulation of buildings to reduce energy losses; measuring and reducing CO₂ emissions; locating production near consumption. Energy efficiency should be promoted in all sectors of the economy, especially in the current context of global recession, accelerating the transition towards a low-carbon economy, with sustainable growth, which will foster technological innovation, will offer new economic opportunities and will lead to the creation of more and better jobs.

We have tried to offer an image regarding the collaboration’s determinants stressing on the necessity of having a new vision of development- strategic investments- new core competences. In our opinion these three factors represent the first important step towards success, being what we are calling ‘the basic vision of development for small and medium-sized enterprises’. The second step that should be taken is the participation into clusters, as a key condition to achieve a future development based on direct access to the R&D. We should keep in mind that ‘the private sector has a positive impact on R&D knowledge generation and innovation process (…) in overall business cycle’ (Savonea R, 2009). Therefore, the innovation process is vital for reaching sustainable development in the case of small and medium-sized enterprises and for their ability for dealing with competition.

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9 Cathy Zoi, executive director of the Sustainable Energy Development Authority, Australia, quoted in Company Director (Australian Institute of Company Directors), March 1999, p 59.
In order to better identify the main characteristics of the Romanian Small and Medium Sized Enterprises we have realized a SWOT analysis taking into consideration the macroeconomic aspects and the regional ones.

### Table 1: The SWOT Analysis

<table>
<thead>
<tr>
<th>Strong points</th>
<th>Score</th>
<th>Opportunities</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Romania’s EU member state status</td>
<td>5</td>
<td>The existence of the European funds and the possibility of financing projects that will bring added-value for development at regional/local level</td>
<td>4</td>
</tr>
<tr>
<td>Macroeconomic stability</td>
<td>4.9</td>
<td>The EU’s internal market is a big opportunity due to the great number of consumers</td>
<td>4</td>
</tr>
<tr>
<td>Political stability</td>
<td>4</td>
<td>As the number of clusters will increase, we will assist to a higher access to new foreign technologies in the case of Romanian Small and Medium Sized Enterprises</td>
<td>4</td>
</tr>
<tr>
<td>Monetary policy</td>
<td>3</td>
<td>The development of entrepreneurial education</td>
<td>5</td>
</tr>
<tr>
<td>Romania’s geographical position and the existence of natural resources</td>
<td>5</td>
<td>The access to the European labor market</td>
<td>5</td>
</tr>
<tr>
<td>The existence of an infrastructure for sustaining</td>
<td>4</td>
<td>The rise of foreign direct investments will increase the need for including R&amp;D funds for</td>
<td>3</td>
</tr>
<tr>
<td>Strong points</td>
<td>Score</td>
<td>Opportunities</td>
<td></td>
</tr>
<tr>
<td>-------------------------------------------------------------------------------</td>
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<td>--------------------------------------------------------------------------------------------------</td>
<td></td>
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<tr>
<td>the activity of small and medium sized enterprises (business incubators,</td>
<td></td>
<td>future development (also in the case of Romanian Small and Medium Sized Enterprises)</td>
<td></td>
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<tr>
<td>specialized consulting firms etc.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Numbers of clusters existed in every region</td>
<td>3</td>
<td>The necessity for inclusion of sustainable development principles in the overall management strategy (represents a cost on short time and a necessary investment on long run for the Romanian Small and Medium Sized Enterprises)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average score</th>
<th>4.13</th>
<th>Average score</th>
<th>4.14</th>
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<table>
<thead>
<tr>
<th>Weak points</th>
<th>Score</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>The high degree of corruption</td>
<td>4</td>
<td>The fiercely competition existing at the European and international level and the necessity for adaptation from the part of Small and Medium Sized Enterprises</td>
</tr>
<tr>
<td>Romania’s national competitiveness</td>
<td>3</td>
<td>The global economic crises and the asymmetric shocks associated with direct effects throughout all the society</td>
</tr>
<tr>
<td>The existence of regional development gaps</td>
<td>4</td>
<td>An insufficient preparation for the new changing market conditions in the case of Small and Medium Sized Enterprises</td>
</tr>
<tr>
<td>The lean infrastructure</td>
<td>4</td>
<td>The brain drain effect</td>
</tr>
<tr>
<td>The structure of the national economy</td>
<td>3</td>
<td>The incapacity to allocate funds for the R&amp;D in order to have competitive products</td>
</tr>
<tr>
<td>The relative small number of projects from European funds in the case of Small and Medium Sized Enterprises</td>
<td>3</td>
<td>The administrative and financial burden existing in the case of Small and Medium Sized Enterprises</td>
</tr>
<tr>
<td>The high costs for implementing the sustainable development principles and the need for a greater governmental involvement</td>
<td>4</td>
<td>Frequent changes in the legislation</td>
</tr>
</tbody>
</table>

| Average score | 3.57 | Average score | 3.85 |

Source: Authors own interpretation and the Global Competitiveness Report- 2008-2009

The results of the SWOT analysis should be interpreted in close relationship, in order to have a better perspective over the studied aspects. Therefore we will have a dual approach: strong points- opportunities and weak points- threats.

The image of the strong points and opportunities is suggesting the idea that Romania’s European Union membership represents a net benefit on a range of multilevel.
The sine qua non condition for obtaining a sustainable development on the long run stands in a series of determinants like: macroeconomic, political and monetary stability. The key for Small and Medium Sized Enterprises’ success depends on the quality of the national economic environment and the degree in which this stimulates or not the development. The creation of a solid infrastructure for sustaining the activity of small and medium sized enterprises (business incubators, specialized consulting firms etc) will have a large contribution for future actions.

Regarding the opportunities, these are directly connected with the European funds and with the necessity to have good projects for being financed. For The Romanian Small and Medium Sized Enterprises, the access to EU’s internal market will be a good opportunity for testing their capacity of action. A possible solution for dealing with the increasing fierce competition on the European or international markets will be the participation in clusters. If we want in the future to change the existing situation, we should pay attention to the solid development of entrepreneurial education.

The weak points and the threats design the importance of having a good internal and external environment in order to obtain a sustainable development. The presence of denaturized phenomena like global economic crisis, a high degree of corruption, migration effects, regional development gaps etc. will have negative impacts on long term over Romania’s development. Summing up it is necessarily to find the best ways of creating a favorable environment for developing Small and Medium Sized Enterprises. In doing so, it is better to reduce the effects of administrative and financial burden and to avoid too many changes in the legislation.

For a better image the National Council of Small and Medium Sized Private Enterprises in Romania had developed in its reports the Index of Evolution of Small and Medium Sized Enterprises\(^9\). The main sub indexes are represented by:

<table>
<thead>
<tr>
<th>No</th>
<th>Index</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Score effectively obtained</td>
<td>S2</td>
<td>S1</td>
<td>S2</td>
</tr>
<tr>
<td>1.</td>
<td>The evolution of the number of the commercial companies registered at the Commerce Register</td>
<td>-1</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>2.</td>
<td>The evolution of the number of the commercial companies radiated</td>
<td>-5</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>3.</td>
<td>The evolution of the SMEs that obtained profit</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>4.</td>
<td>The evolution of the number of the commercial companies that registered losses</td>
<td>2</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>5.</td>
<td>The evolution of the SMEs total debts</td>
<td>1</td>
<td>-1</td>
<td>-2</td>
</tr>
<tr>
<td>6.</td>
<td>The evolution of the SMEs average turnover</td>
<td>3</td>
<td>3</td>
<td>3</td>
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</table>

\(^9\) The Index of Evolution of Small and Medium Sized Enterprises is obtained as a sum of the 11 sub indexes composed. The maximal value is 100 points.
As we can observe, the value of the Index of Evolution of Small and Medium Sized Enterprises is fluctuating in time: we have an increase with an average score of 44 points for the year 2007 (the highest value) and a decrease with an average score of 17.5 points on the year 2008. Due to the last negative economic outcomes foreseen, we estimate that the trend of decreasing will be also continuing during the year 2009. The impact is consistent in the case of the Small and Medium Sized Enterprises that are struggling to find the right way in this time of crisis.

There are many aspects that should be improved regarding the Small and Medium Sized Enterprises. One is the number of regulations and laws that are continually changing, especially as a consequence of the harmonization with the European standards.

Source: The National Council of Small and Medium Sized Private Enterprises in Romania and authors interpretation

**Table 1.**

<table>
<thead>
<tr>
<th>No</th>
<th>Index</th>
<th>Score effectively obtained</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>2006</td>
</tr>
<tr>
<td>7.</td>
<td>The evolution of the SMEs average profit</td>
<td>4</td>
</tr>
<tr>
<td>8.</td>
<td>The evolution of the SMEs average loss</td>
<td>-1</td>
</tr>
<tr>
<td>9.</td>
<td>The evolution of the SMEs employees</td>
<td>1</td>
</tr>
<tr>
<td>10</td>
<td>The evolution of the SMEs investments</td>
<td>6</td>
</tr>
<tr>
<td>11</td>
<td>The evolution of the SMEs exports volume from private sector</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>General score (points)</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Average score (points)</td>
<td>44</td>
</tr>
</tbody>
</table>

Source: The National Council of Small and Medium Sized Private Enterprises in Romania and authors interpretation

**Figure 3.** The Index of evolution of Small and Medium Sized Private Enterprises (SMSE)

Source: The National Council of Small and Medium Sized Private Enterprises in Romania
Another negative point is bureaucracy. According to data released by ‘2006 White Chart of Romanian SMEs’, it is perceived by entrepreneurs as being the second most significant difficulty faced by SMEs (64.62%) after high taxation. A better legal framework and reduced bureaucracy represent two of the top five priorities that entrepreneurs recommended to the National Agency for Small and Medium sized Enterprises to focus on.

4. Conclusions

The integration into the European Union is bringing a lot of new challenges for Romania. The small and medium sized enterprises are playing an important role within any market economy, due to the fact that their presence is fostering income stability, growth and employment. We can say that their competitiveness is vital influencing the competitive position of the overall economy.

For succeeding on the international market, it is extremely important to pay attention to the established collaboration’s determinants in the case of small and medium sized enterprises. The existence of the 3 basic components - a new vision of development- strategic investments- new core competences- can represent the difference in terms of success. In our opinion, these three factors are considered the first important step towards success, being what we had called ‘the basic vision of development for small and medium-sized enterprises’.

In order to obtain a sustainable competiveness on the long run, the SMEs should pay attention to the triangle ‘research- development- innovation’, as a key factor for dealing with new challenges. The importance of these aspects is highlighted in the Lisbon Strategy, representing primordial factors in reaching the economic development.

Achieving a sustainable competitiveness is the key for reaching sustainable development and the convergence on long run. Romania should reconsider its strategy in order to consider the small and medium sized enterprises as the driving forces of future development.

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