

# **SMALL AND MEDIUM ENTERPRISES FROM ROMANIA – PROGRESSIVE GUIDE MARKS AND DEVELOPMENT PERSPECTIVES.**

**University Professor Viorel Cornescu, PhD  
University of Bucharest  
University Lecturer Vladimir-Codrin Ionescu, PhD  
University of Bucharest**

## **Abstract**

*The existence of a powerful sector of small and medium enterprises represents a sine qua non condition of Romania's economic integration within the European Union. In this context, this work wants to present some relevant aspects regarding the evolution of the Romanian small and medium firms, as well as the identification of some action directions which are aiming at the establishment of some stable and predictable business environment favourable for founding and developing the small and medium enterprises.*

## **1. Introduction**

This work wants to approach relevant aspects regarding the problems of the small and medium enterprises, both from the perspective of the main progressive guide marks and from the development policies that must be promoted in the following period. The scientific step starts from the premise that now, the Romanian small and medium enterprises are representing a key sector of the sustainable economic development, an important factor of absorbing the available work force and concomitantly a flexible vector in adjusting the production of goods and services to the volume and structure of the market's demands.

It has been written a lot about the role and the importance of the entrepreneurial activities. We are mentioning here J. Schumpeter, who has introduced the concept of „entrepreneur”, Max Weber, Howard Stevenson, Peter Drucker, K. Vesper, Jean-Piere Bechard, W.D. Bygrave, M. S. Wartman, D. Muzycza, L.J. Fillion, J. Freeley, J. Miner and others. It is certain that after 1970 the small and medium enterprises sector, especially in the advanced countries, has suffered a remarkable progress, a fact which has determined an increase of the specialists' interest to study the phenomenon, and those who were interested in business, to get involved in this. Thus it results a powerful attraction for the entrepreneurial and an orientation of the state economic policies for supporting this sector. The apparition of this sector after the events from the end of the year 1989 has meant for Romania an alternative opened to the transformations requested by the new way embraced by our economy and society.

The small and medium enterprises have contributed to a faster reorganisation of the large enterprises by hiring the laid off personnel, by exploiting the unused assets and by the externalisation of some activities. The development of the small and medium enterprises has lead to increasing the competition, decreasing the big companies' monopolist role, to increasing the exports and it has generated economic and social alternatives. The existence of the small and medium companies has determined the improvement of the population's economic behaviour, the passing over the obstacles faced by some social disadvantaged groups and the regeneration of some communities affected by the decline of the industry. Also, the active presence of these companies within the economy, within an ascending private

sector, had a favourable impact upon the adjusting potential of the production structures to the dynamic of the economic environment on a national level and within the territorial profile. Despite the difficulties that are characteristic to the transition period, we have witnessed a continuously increase of this microeconomic sector's contribution both in the domain of the gross domestic product's formation and in the domain of employment.

### **1. The business environment and the small and medium enterprises' development**

During the transition period, Romania has enlisted on the direction of the opening and getting close to the advanced countries' economies, the reorganisation and the improvement of the Romanian economy taking place within a process of unification the structures, a process of controlling the resources, of privatisation and reorganising the economic sectors, a process of ensuring a neuter, competitive business environment.

Within the structural reforms implementation, Romania has benefited and it is still benefiting of a support and consultancy from the European Union and from the international financial institutions (The World Bank, The International Monetary Fund, The European Bank for Reconstruction and Development etc.), by programmes of public administration reform from many years, of the justice and the budgetary system, of supporting the privatisation and the reorganisation of the banks and state enterprises, of improving the business environment, of assisting the training for the integration within the economic and institutional structures of the European Union<sup>1</sup>.

The policy regarding the business environment has as main goals supporting the private entrepreneurs and the stimulation of the free initiative. For achieving these objectives it was pursued removing the obstacles from the way of the private initiative, within a functional market economy by ensuring the state law, the private property and a powerful middle class as well as the business environment's stability and predictability, the efficient usage of the resources, the free employment, goods, services and capitals circulation, limiting the bureaucracy and diminishing the corruption. In other words, it is about the creation and the development in Romania of a business environment characteristic to a market economy, opened to the affirmation of the entrepreneurial spirit and in the same time capable to encourage the initiation and the development of small and medium businesses.

We can rightfully say that the development of the small and medium enterprises in Romania is influenced by the coordinates specific the autochthonous business environment, for developing the innovative practices to lead to founding enterprises and to consolidating those that are already in the economic relations circuit, and it is also influenced by the motivating and encouraging those attracted by this sector.

Romania's policy regarding the enterprises is addressed to the whole business environment and its main objectives are the encouraging and the facilitation of founding new enterprises, as well as creating a dynamic business environment within each company to have access to the products and services markets from the European Union and other areas of the world.

The multi-annual Programme reserved for the small and medium enterprises and the entrepreneurial spirit was adopted through the Decision no. 2000/819/EC. The programme is focused on the impact that the new economy has created upon the small and medium enterprises and represents an instrument by which Romania, as a member of the European Union, wants to accomplish the objectives stipulated in The European Charter for Small Enterprises<sup>2</sup>.

---

<sup>1</sup> The Chamber of Commerce and Industry of Romania, The Directorate of Strategy, Inter-institutional Relations, "The state of the business environment", 2007.

<sup>2</sup> The Judicial Resources Centre, "The small and medium enterprises", Bucharest, 2004.

Basically, the objectives of this programme are the following:

- improving the rate of the economic increase and of the enterprises' competitiveness within an economy based on knowledge and which is wearing the mark of the globalisation phenomenon;
- promoting the entrepreneurial spirit;
- simplifying and improving the administrative and statutory frame for the enterprises so that the research, the innovation and the founding of new companies to be developed;
- improving the financial environment for the small and medium enterprises;
- simplifying the access to the assistance services, to the programmes and the communitarian networks, as well as the adequate coordination of these facilities.

Another recommendation from the European Commission, applied in Romania, is regarding the improvement and the simplifying of the business environment in order to create small and medium enterprises.

The main objectives of this recommendation are the following<sup>3</sup>:

- stimulating the innovation potential and encouraging the increase of the enterprises;
- creating new jobs within the private sector;
- improving the interface between the public administration and the business environment;
- orientating the public administration towards client and reducing the response time to the enterprises' requests;
- encouraging the foundation of new enterprises by creating a favourable regulation environment.

Concomitant with the application of the European Union's recommendations, Romania has elaborated a strategy which is aiming the development of the small and medium enterprises sector within a dynamic and stimulating business environment<sup>4</sup>.

Simultaneously, to develop this microeconomic sector, The National Agency for Small and Medium Enterprise and Cooperatives has elaborated and launched a pack of multianual national programmes, that are now coordinated by the Minister for small and medium enterprises, trade, tourism and liberal professions. The main multianual programmes that are now in progress are the following:

- The programme regarding the increase of the competitiveness of the small and medium enterprises by implementing and certificating the quality systems;
- The multi-national programme during 2006-2009 to support the small and medium enterprises in developing export;
- The multi-national programme during 2006-2009 to support the access of the small and medium enterprises to training services and consultancy;
- The Programme to support the development of small and medium enterprises with funds to limit the amounts paid for the reinvested profits gross;
- The programme for organising the Small and Medium Enterprises Fair;
- The Programme of development and modernization activities marketing products and services market.

---

\* The recommendation no.97/344/CE regarding the improvement and simplification of the business environment for founding new small and medium enterprises.

<sup>3</sup> Idem 2.

<sup>4</sup> The Government strategy for sustaining the development of the small and medium enterprises in the 2004-2008 period.

## **2. The progressive guide marks of the small and medium enterprises sector from Romania**

In Romania, the small and medium companies have reappeared in 1990\* based on the adopting of the Law no. 31/1990\*\* and Law Decree no. 66 and 67/1990\*\*\*, there was a real “explosion” of new enterprises as a result of the reduced role of the small and medium enterprises during the pre-transition period, which was a result of the over-industrialisation and the discouraging of the private initiative<sup>5</sup>.

From the perspective of the small and medium companies’ evolution, the period after 1990 includes many analysis intervals. Between 1990-1994 there was an accelerated development of the small and medium enterprises as a result of a complex of factors, from which we are mentioning their absence before 1990, the facilities given in the first years of functioning, the legislative frame which was regulating the existence of these companies, as well as the privatisation of the state enterprises.

It is important to mention that the ascension of the small and medium enterprises has taken place during a time when the authorities have been preoccupied especially by solving the macroeconomic problems and they have not orientated especially towards the elaboration of some programmes to support the small and medium companies. In the conditions of a precarious business environment and the lack of some significant economic reforms, the entrepreneurial spirit of an important part of the population and the existent opportunities from the internal market have determined the apparition of a large number of small and medium enterprises that were having a modest economic potential in comparison with other countries that were in transition, like Hungary, Poland and Czech Republic.

After 1994 there have been postponements of the small and medium enterprises’ development materialized in the decreasing of the established small and medium enterprises and the increasing of those who are ceasing their activity. Moreover, the economic force of the companies that managed to maintain on the market was more decreased compared to the previous period. This recoil of the small and medium sector took place based on the unfavourable situation of the national economy and because the small and medium enterprises did not beneficiate from a differentiate treatment<sup>6</sup>.

During 1990-1994 there were established 487900 small and medium companies, while between 1995 and 2001 there were established only 316035 small and medium enterprises. The largest number of companies was matriculated in 1992 (137456 companies) and the smallest number in 1999 (32723 companies).

---

\* The small and medium enterprises have been present within the Romania’s economy until the early’50.

\*\* Law no. 31/1990 regarding the commercial companies.

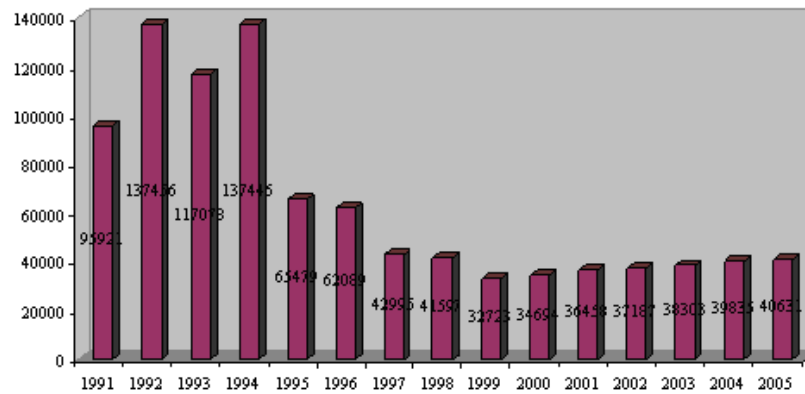
\*\*\* The Law Decree. no. 66/1990 regarding the organization and the functioning of the craftsmen cooperative.

The Law Decree no.67/1990 regarding the organization and the functioning of the consumption and credit cooperative.

<sup>5</sup> Dinu, M., “Romania’s economy. The small and medium enterprises. What we integrate?”, The Economic Publishing House, Bucharest, 2002.

<sup>6</sup> Ionescu, V., “The small and medium enterprises’ management”, The Economic Publishing House, Bucharest, 2004.

**Figure no.1.** The evolution of the matriculated small and medium enterprises' number during 1990-2005



Source: The Chamber of Commerce and Industry of Romania  
The National Agency for Small and Medium Sized Enterprises and Co-operatives

The year of 1995 has registered the most dramatic reduction of the number of established small and medium enterprises, while between 2000 and 2001 one may notice a slightly re-launching of the matriculation process of the small and medium enterprises, a fact that can be explained through the positive results achieved on the national economy level. Besides, the ascendant trend which the sector of the small and medium enterprises has enlisted on from the matriculation point of view has also continued during the 2002-2006 period.

In 1997, there were 567498 matriculated companies within the Romanian economy, their number decreasing to 636777 in 1999. Regardless of these numbers, we are mentioning the fact that in 1997 only 66.8% of the companies have given a balance sheet, and the percentage has reduced to 63.4% in 2000 and to 61.6% in 2001. Compared to 2001, when the total amount of the small and medium enterprises was of 404526, in 2003 there have been an increase of 51048 companies (112.6%), and in 2004 an increase of 35868 companies (123,7%), which indicates at least from a quantitative point of view a business environment that is favourable to the development of the small and medium enterprises.

An important element in the development of the small and medium companies is the presence of the private capital in this sector. After 1990 we have witnessed a continuously increase of the number of companies with private capital. In the cases of the micro enterprises and of small enterprises, the companies with a private capital were preponderant on the whole analysis interval. Thus, in 1997 the shares owned by the micro enterprises were of 99.6% and respectively of 93%, while in 2004 the shares were of 99.8% and respectively of 97.9%.

But in exchange, the share of the medium private capital enterprises in the amount of the medium enterprises has registered a significant increase, from 57.2% in 1997 to 89.4% in 2001 and to 92.4% in 2004. This ascendant trend of the medium private capital companies has a positive influence within the consolidation of the small and medium enterprises sector from Romania.

Regarding the distribution of the small and medium enterprises on branches of the national economy, the micro enterprises are especially orientated towards trade and services, the small enterprises are active within industry, trade and services, and the medium enterprises are especially carrying on industrial and construction activities. The

presence of the micro enterprises within the trade is explainable by the fact that if we take into consideration the fact that this activity requires a more reduced volume of resources (financial, material, human, etc.) and, in the same time, the possibility of obtaining profit in a rather short period is higher. One of the conclusions that results from the analysis of the data from the Chart no. 1 is that during 1997-2004 the importance of the medium dimension companies has constantly increased. It is worth notifying the fact that the share of the medium companies that are active within the industry in the total of the medium companies has increased from 26.8% in 1997, to 51.5% in the year 2004. From the small and medium enterprises, the medium enterprise is folding the best on the specific of the industrial activity, but the presence of the micro enterprises and the small companies within this sector must not be neglected. In 1997, 7.8% between the micro enterprises were carrying out industrial activities, the share being increased to 9.5% in 2001 and to 10.1% in 2004. Given the fact that the industry represents one of the pillars of the durable development, we believe that the more active involvement of the small and medium enterprises in this activity branch represents an important premise of the economic increase.

Within the services area one can notice stability from the share of those three categories of enterprises point of view – the micro enterprises, the small and medium enterprises – in the amount of each size class. In 1997 the shares were of 14.1%, 13.3% and 10.7%, and in 2004 these were very close, respectively 17.5%, 13.4% and 11.2%. Regarding the division on regions of the small and medium enterprises, there are certain differences from the enterprises' concentration point of view. Thus, as it results from the Chart no. 2, in the region of Bucharest almost 115000 companies are active, a number which represents 21.82% of the total of small and medium enterprises from Romania. In the same region, the share of the small and medium enterprises in the whole companies is of 2.82% times higher than in the South West region and it is twice bigger than in the North West region. These data are highlighting significant differences from the development of the entrepreneurial environment point of view within the areas of the country.

#### The small and medium enterprises' distribution on regions of development

**Chart no. 2**

Region	2001		2003		Dynamics %
	Companies	Share (%)	Companies	Share (%)	
1 – North East	47.275	11.68	52.071	11.43	110.14
2 – South East	53.723	13.28	58.824	12.91	109.49
3 – South	46.468	11.49	50.738	11.14	109.18
4 – South West	36.728	9.10	38.889	8.54	105.88
5 – West	35.204	8.70	40.968	8.99	116.37
6 – North West	55.209	13.66	63.465	13.93	114.95
7 – Centre	48.921	12.09	55.741	12.24	113.94
8 – Bucharest	80.908	20.00	94.868	20.82	117.25
Total	404.526	100	455.574	100	112.62

Source: CNIPMMR, ANIMMC, „The White Charta of the SMEs from Romania”, Olimp Publishing House, Bucharest, 2006.

The small and medium enterprises' distribution on regions of development

**Chart no. 2 - continuation**

Region	2004		2005		Dynamics %
	Companies	Share (%)	Companies	Share (%)	
1 – North East	56.094	11.21	57.352	10.90	102.24
2 – South East	63.226	12.64	67.861	12.89	107.33
3 – South	54.861	10.96	55.502	10.54	101.16
4 – South West	41.261	8.25	40.733	7.74	98.72
5 – West	45.903	9.17	48.455	9.20	105.56
6 – North West	70.077	14.00	75.557	14.35	107.82
7 – Centre	62.117	12.43	66.122	12.56	106.44
8 – Bucharest	106.795	21.34	114.736	21.82	107.43
Total	500.394	100	526.318	100	105.18

Source: CNIPMMR, ANIMMC, „The White Charta of the SMEs from Romania”, Olimp Publishing House, Bucharest, 2007.

Analysing the density of the small and medium enterprises on a territorial level, one may notice the fact that the Bucharest region is on the first place of the hierarchy having a density of 51.96 companies/1000 inhabitants, followed by the North West region with a density of the small and medium enterprises of 15.36 companies/1000 inhabitants. The data presented in the Chart no. 3 are emphasizing the economic discrepancies that exist between the country's regions regarding the small and medium enterprises' density<sup>7</sup>.

It is important to highlight the fact that the small and medium enterprises' density has enlisted on an ascendant trajectory in all the country's regions. For example, in Bucharest, the density of the small and medium enterprises has increased from 35.41 companies/1000 inhabitants in 2001, to 43 companies/1000 inhabitants in 2003 and to 51.96 companies/1000 inhabitants in 2005. In the North West region, being in the second position of the hierarchy, the density of the small and medium enterprises has increased from 19.44 companies/1000 inhabitants in 2001, to 23.12 companies/1000 inhabitants in 2003 and to 27.60 companies/1000 inhabitants in 2005.

The density of the small and medium enterprises on regions of development

**Chart no. 3**

Region	2001	2003	2004	2005
	Number of companies for 1000 inhabitants	Number of companies for 1000 inhabitants	Number of companies for 1000 inhabitants	Number of companies for 1000 inhabitants
1 – North East	12.36	13.91	15.00	15.36
2 – South East	18.31	20.58	22.18	23.84
3 – South	13.41	15.11	16.42	16.67
4 – South	15.30	16.70	17.80	17.66
5 – West	17.25	20.83	23.67	25.10
6 – North	19.44	23.12	25.59	27.60
7 – Centre	18.51	21.90	24.49	26.13
8 – Bucharest	35.41	43.00	48.38	51.96
Total	18.03	20.94	23.09	24.34

Source: CNIPMMR, ANIMMC, „The White Charta of the SMEs from Romania”, Olimp Publishing House, Bucharest, 2007.

<sup>7</sup> The National Council of Small and Medium Sized Private Enterprises in Romania și The National Agency for Small and Medium Enterprise and Cooperatives, „The White Charta of the SMEs from Romania”, Olimp Publishing House, Bucharest, 2007.

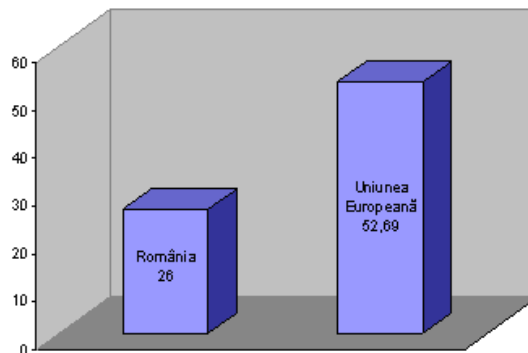
The sector of the small and medium companies represents one of the main vectors of Romania's economic development in the post-adhesion period. The existence of a powerful small and medium enterprises segment constitutes a sine qua non condition of the integration of the Romanian economy in the economic architecture of the communitarian space. The real potential of the Romanian small and medium companies may be evaluated by a comparative analysis with the European Union, an analysis structured on two coordinates: the density of the small and medium companies and their distribution on activity branches.

The density of the small and medium enterprises reflects the development stage of the entrepreneurial phenomenon. The relevance of this strategic meter is argued by a series of recent researches which have proved that there is a positive correlation between the rate of growth of the Gross Domestic Product and the rate of growth of the active companies. The increase of the active companies is basically ensured by the development of the small and medium companies<sup>8</sup>.

The density of the small and medium enterprises from Romania is of 26 companies/1000 inhabitants, a lot more inferior to the density on the ensemble of the European Union (52.69 companies/1000 inhabitants). This difference indicates the effort that our country must make on an economic level to be structural compatible with the communitarian economy, the only solving variant of the specific integration within the European Union.

The development of the entrepreneurial system enforces an advanced degree of institutional structuring of the competitive market economy, as well as profound mutations of cultural type on the society's level. From these, we are mentioning the gradual reduction of the dependence upon etatist intervention within economy, the development of the organising autonomy and of the initiative spirit, creating new visions about the risks and the habit of taking action on uncertainty conditions, accepting the social statute differences induced by the correct and undistorted functioning of the markets.

**Chart no. 2.** The density of the small and medium companies from Romania and the European Union



Source: ANIMMC, "A study regarding the competitiveness of the small and medium enterprises sector", 2006.

<sup>8</sup> Dinu, M., Mereuță, C., Țurlea, G. and others. "The entrepreneurial development and the structural analysis of the small and medium companies", in the volume "The structural analysis of the Romanian companies' system from the perspective of the Romania's integration in the European Union", The reflection group of the Romanian Academy, Bucharest, 2002.

<sup>9</sup>The National Agency for Small and Medium Enterprise and Cooperatives, "A study regarding the competitiveness of the small and medium enterprises sector", 2006.



In order to ensure the comparison terms between Romania and the European Union regarding the distribution of the small and medium companies on economic branches it has been used the communitarian methodology of sectorial aggregation which includes seven main activity domains. These are industry and energy, construction, trade, hotels and restaurants, transportation and telecommunications, financial activities, services provided by entrepreneurs and other services.

In industry, the share of the Romanian small and medium companies is of 14.2%, which means that it is superior to the share of the European Union which is of 11.8%. In our opinion, this constitutes a positive aspect in the integration perspective. The development of the small and medium enterprises from the industry is from the share's point of view more close to the countries that have an advanced economy like Italy, Denmark, Finland and Sweden.

In constructions, the small and medium enterprises have a smaller share than the communitarian average, but in the last couple of years the number of companies that are active within this domain has significantly increased. At the same time, there have taken place the division of some big construction units, concomitant with the apparition of some companies specialised in surrounding operations, dwelling maintenance, modernising the interiors, etc. a coordinate of the entrepreneurial phenomenon in Romania is represented by the orientation of the small and medium enterprises towards commercial activities, over two thirds of these having a predominant commercial feature. In transportation and telecommunications, the small and medium enterprises have a share of 4.5% which is below the 5.3% average of the European Union. The perspectives of the small and medium enterprises from this sector are optimistic under the conditions of the development of the tourism and the telecommunication services. The modernisation of the payment forms from economy, the creation of the performance investments funds and the private pension funds have encouraged the establishing of new companies within the financial domain. The share of the small and medium enterprises within the services area provided for the enterprises and within other services is more inferior to the communitarian average, a fact which constitutes a critical point of the Romanian small and medium enterprises segment.

#### **4. Policies and development perspectives of the small and medium enterprises**

In the context of the presented progressive guide marks, we believe that the development policies of the small and medium enterprises from Romania must be structured particularly on the following main coordinates:

- Creating a business environment that is encouraging the founding and the development of the small and medium enterprises;
- The development of the competitiveness ability of the small and medium companies;
- Improving the small and medium enterprises' access to financing;
- Improving the small and medium enterprises' access on the external markets;
- Promoting the entrepreneurial culture and strengthening the managerial performances.

The existence of some policies and of a regulation frame to allow the enterprises to operate and to develop themselves in an adequate competitiveness environment is fundamental for supporting the increase of the small and medium enterprises sector. In this way, Romania continues to harmonize the legislation with the stipulations of the communitarian acquis, to introduce measures as to counteract the administrative and technical obstacles, to develop a coherent institutional frame for elaborating and implementing the

specific policies and to improve the dialog between the government's institutions, the social partners and the structures of representing the interests of the small and medium enterprises for maximizing the sector's development efforts.

In the same time, the government, The National Agency for Small and Medium Enterprise and Cooperatives (ANIMMC), has created a platform for an efficient absorption of the Structural Funds. ANIMMC has elaborated and has adopted a series of specific measures for developing the institutional ability and the human resources on a national and regional level, as well as for strengthening the collaboration with the Regional Development Agencies. The development of the competitiveness ability of the small and medium enterprises is accomplishing through:

- The support given to the small and medium enterprises regarding the access to new technologies;
- Supporting the small and medium enterprises in introducing the quality standards and the systems of quality management;
- Promoting the advantages offered by the e-business techniques, as well and increasing the human potential for introducing and supporting an e-business platform in Romania;
- Facilitating the access to the available assets of the enterprises having a majority state capital and the public acquisitions;
- Improving the access of the small and medium enterprises to quality consultancy services;
- Supporting the businesses incubators in the production and services domains that are creators of higher added value;
- Developing the autochthon and foreign investments in the innovative production activities by creating industrial parks;
- The small and medium enterprises' participation to the reduction of the regional economic disparities.

Regarding the small and medium enterprises' access to financing sources, the Romanian banking system has lately suffered important transformations. Nevertheless, the small and medium enterprises are still facing difficulties regarding the access to financing. The credits are available, but the credit conditions used by the banking system are difficult to access by the small and medium enterprises. The credits and the working capital on a long term are less sustained. The banks are demanding the small and medium enterprises interest rates for the requested credits that are difficult to cover mainly because of the capital removal and the lack of requested guaranties. Thus the micro enterprises and the small enterprises do not have development possibilities and the entrepreneurs cannot penetrate the market with innovative ideas and products.

Improving the access to financing of the small and medium companies is supported through a series of measures, such as:

- Stimulating the capitalisation of the productive small and medium enterprises;
- Sustaining the apparition of a national network of Guarantee Funds for the small and medium enterprises;
- Financing the new established enterprises within the sectors with priority of the national economy;
- Pilot models of innovative financial instruments for the small and medium enterprises.

Improving the small and medium enterprises' access on the external markets represents a priority that results both from the need of accomplishing the economic objective of sustained increase of the small and medium enterprises' exports, and from the analysis of the real export potential of the small and medium enterprises from representative economic sectors in which Romania is seen as being competitive. There are few Romanian small and

medium companies that have the ability to find a market, a partner or an adequate client without resorting to some forms of internal or external assistance.

Improving the small and medium enterprises' access on the external markets is done especially by stimulating the development of the cross border cooperation and of the business partnerships as well as by supporting the small and medium enterprises in the export activity. Promoting an entrepreneurial culture and strengthening the managerial performances constitutes an important coordinate of the strategy of creating a stabile business and developing environment of the small and medium enterprises' segment from Romania.

A distinct feature of the advanced economies is represented by the vital role of the entrepreneurship as a central pillar of the economic increase. The entrepreneurs are founding companies, thus creating new jobs. Also, the technological process is generating new businesses and is determining the development of those existent already, thus constituting an essential factor for adjusting to the opportunities that come up on the market, for acquiring new knowledge and for increasing the productivity.

The measures and the actions within this priority is aiming the development of the entrepreneurial abilities and spirit, by supporting the young men's and other segments of the active population's access to a continuous vocational training. Concomitant, it is intended to promote a new attitude among the public regarding the entrepreneurship by involving the mass-media and other modern means of information. The insufficiency of the promotional and supplying materials and basic information useful for increasing the interest towards entrepreneurship must be compensated by launching some publications, manuals, information reports and periodical magazines centred on the entrepreneurship's problems.

For developing the entrepreneurial spirit, a new generation of entrepreneurs must be encouraged, a generation having characteristic abilities like responsibility, spontaneity, adaptability, clear-sightedness, initiative and managerial spirit to allow them to identify and apply some efficient strategies of penetrating and maintaining on the market.

One of the major direction which must not be neglected by all those that are interested in developing the entrepreneurial spirit and the small and medium enterprises, is the orientation and the support of the small and medium businesses from the new domains promoted by the knowledge economy. The explosion of the knowledge and based on this the shaping and the consolidation of a new type of economy, open new opportunities for the small and medium enterprises. The specialists believe that the small and medium enterprises will constitute in the following period the main vector of the economic progress. Being supplier, with reaction possibilities that are faster than the big enterprises, they can reevaluate on a superior level the knowledge resource towards renewing their activity on all the plans. Thanks to the reduced dimension and the more flexible organisational structure, the small and medium enterprises may accomplish during their existence numerous changes, from orientating again the market strategy and reorganising the management, to rethinking the activity profile, a fact which allows them to rapidly assimilate knowledge and to open their appetite for reevaluating the knowledge in order to produce new knowledge.

In this context, the small and medium enterprises have two major action direction opened in front of them:

- strengthening out the "classical" business opportunities under the new conditions, respectively emphasizing them by resorting to the new technologies based on knowledge;
- orientating on the new business opportunities that appear as a result of proceeding to the economy based on knowledge (the internet and all that concerns the communication technology, the electronic trade, the nanotechnologies, the technologies based on artificial intelligence, the e-activities, etc.).

The small and medium enterprises being characterised through a high adaptability to the changes that take place within the business environment will rapidly orientate themselves towards new action directions becoming an extremely dynamic sector of the contemporary economy.

The entrepreneurship is multidimensional, combining the risks, the creativity and/or the innovations with the managerial attitude. This implies the individual's motivation and ability to identify an opportunity and to take action with the purpose of producing an added value or an economic success. In this context, it is necessary to promote the training courses of the small and medium companies' managers in order to lead more efficiently their own companies and to adopt management styles to determine the increase of the competitiveness.

## **5. Conclusions**

Romania has crossed in the last years a series of important stages regarding the creation of a stable and predictable business environment that is favourable to the development of the small and medium enterprises sector. The efforts made until this moment must be continued because the existence of a stimulating, dynamic and attractive business environment for the investors, as well as the development of the small and medium companies constitute fundamental premises of Romania's economic integration within the European Union.

Romania must carry on the promoting of a coherent strategy on a long term, sustained by a pack of sectorial policies that aim at the development of the small and medium companies. In our opinion, the main targets of this pack of sectorial policies are the consolidation of the small and medium enterprises from the industry, the continuation of the ascendant trend within the construction sphere, encouraging the private initiative within the agricultural domain, as well as the increase of the small and medium companies' number that are orientated towards activities that are specific to the economy based on knowledge from the services sector, especially of those that are carrying on financial activities and are providing services for the enterprises.

The development of the competitiveness ability of the small and medium enterprises represents one of the strategic targets of the policies promoted within this domain. In this way, there must be enlarge the measures that aim especially at the support given to the small and medium enterprises regarding the access to the new technologies, supporting the companies in introducing the quality standards and the systems of the quality management, improving the access to consultancy services, as well as the development of the autochthon and foreign investments within the innovative production activities, by creating industrial parks.

Improving the access of the small and medium enterprises to financing sources must be supported by stimulating the capitalisation of the companies that are carrying out productive activities, by developing a national network of Guarantee Funds for the small and medium enterprises and by financing the new established enterprises from the national economy's priority sectors.

Promoting an entrepreneurial culture and increasing the managerial performances also imply the initiation of some actions that are aiming at the development of some abilities and the entrepreneurial spirit, the formation of a new attitude among the public regarding the entrepreneurship, launching some publications, information reports and periodical magazines centred on the small and medium enterprises' problems, as well as encouraging a new generation of entrepreneurs to allow them to identify and to apply some efficient strategies of penetrating and maintaining on the market. Concomitant, it is necessary to promote the training courses for the managers of the small and medium companies with the purpose of

increasing their abilities to efficiently lead their own companies and adopt management styles to determine the increase of the competitiveness.

There is a reciprocity relation between the development of the small and medium enterprises and between the business environments. On one hand, a stabile and predictable business environment is favouring the manifestation of the private initiative, the establishing of enterprises and, thus, the development of the small and medium enterprises' sector. On the other hand, a powerful small and medium enterprises sector constitutes an important balancing factor within the economic and social plan, determining in the same time the intensification of the competitiveness on the market, the increase of the products' and services quality that are offered to the requesters, as well as the diversification of this offer. Thus there are created the premises of configuring and then consolidating a stimulating and dynamic business environment that is attractive both from the investors from our country, as for those that are abroad.

## References:

1. The National Agency for Small and Medium Enterprise and Cooperatives, "A study regarding the competitiveness of the small and medium enterprises sector", 2006;
2. Barringer, B.R., Jones F.F. „Achieving Rapid Growth: Revisiting the managerial capacity problem”, Journal of Developmental Entrepreneurship. Apr. 2004;
3. The Chamber of Commerce and Industry of Romania, The Directorate of Strategy, Inter-institutional Relations, "The state of the business environment", 2007;
4. The Judicial Resources Centre, "The small and medium enterprises", Bucharest, 2004;
5. The National Council of Small and Medium Sized Private Enterprises in Romania and The National Agency for Small and Medium Enterprise and Cooperatives, „The White Charta of the SMEs from Romania”, Olimp Publishing House, Bucharest, 2006;
6. The National Council of Small and Medium Sized Private Enterprises in Romania and The National Agency for Small and Medium Enterprise and Cooperatives, „The White Charta of the SMEs from Romania”, Olimp Publishing House, Bucharest, 2007;
7. Cornescu, V., Druică, E., „Reflections regarding the management of the small and medium enterprises”, The MANAGER Maazine no. 3, The University of Bucharest Publishing House, 2006;
8. Dinu, M., Mereuță, C., Țurlea, G. and others. "The entrepreneurial development and the structural analysis of the small and medium companies", in the volume "The structural analysis of the Romanian companies' system from the perspective of the Romania's integration in the European Union", The reflection group of the Romanian Academy, Bucharest, 2002;
9. Dinu, M., "Romania's economy. The small and medium enterprises. What we integrate?", The Economic Publishing House, Bucharest, 2002;
10. Ionescu, V., "The small and medium enterprises' management", The Economic Publishing House, Bucharest, 2004;
11. Nicolescu O. "The management of the small and medium enterprises", The Economic Publishing House, Bucharest, 2001;
12. Terrier O." Les stes petites entreprises", Editura Deboeck, Bruxelles, 2002;
13. Yusul, A., Saffu, K. „Planing and Performance of Small and Medium Enterprise Operator in a Country in Transition", Journal of Small Business Management, vol. 43 issue 4, Oct. 2005.

The distribution of the small and medium enterprises on activity branches and class size

-%- Chart no.1

Years Activity branch	1997			1998			1999			2000		
	Micro	Small	Medium	Micro	Small	Medium	Micro	Small	Medium	Micro	Small	Medium
Industry	7.8	26.7	26.8	9.0	29.5	32.0	9.4	29.6	34.9	9.1	30.2	46.8
Agriculture	1.2	6.1	17.5	1.2	5.3	14.0	1.4	5.3	11.8	1.6	3.8	4.1
Constructions	1.8	9.9	17.5	1.8	9.6	16.4	2.1	9.5	16.1	2.2	9.2	15.1
Trade	71.7	39.1	17.2	70.6	40.7	18.1	69.3	40.6	17.8	68.2	40.4	16.9
Tourism	0.8	2.7	3.1	0.4	0.9	2.1	0.4	0.9	2.1	0.4	0.8	1.5
Transportation	2.5	2.1	7.1	2.5	2.0	6.4	2.6	2.3	6.0	3.0	3.3	4.7
Services	14.1	13.3	10.7	14.6	12.0	11.0	14.8	11.7	11.2	15.4	12.3	10.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: The National Agency for Small and Medium Enterprises and Cooperatives  
The Chamber of Trade and Commerce of Romania

The distribution of the small and medium enterprises on activity branches and class size

-%- Chart no.1 - sequell

Years Activity branch Size class	2001				2002				2003				2004			
	Micro	Small	Medium	Micro	Small	Medium	Micro	Small	Medium	Micro	Small	Medium	Micro	Small	Medium	
Industry	9,5	30,0	49,0	9,7	30,5	50,2	9,8	31,0	50,4	10,1	31,3	51,5				
Agriculture	1,8	3,7	3,6	1,9	3,3	2,3	1,9	2,3	1,8	2,0	1,3	2,6				
Constructions	2,7	9,0	15,2	2,8	9,0	15,3	3,0	9,1	15,5	3,2	9,2	15,6				
Trade	65,5	40,2	15,4	65,0	40,2	15,2	64,1	40,1	15,0	62,9	40,0	13,1				
Tourism	0,5	0,9	1,6	0,5	0,8	1,6	0,6	0,9	1,7	0,7	1,0	1,8				
Transportation	3,5	3,6	4,4	3,5	3,6	4,3	3,6	3,7	4,3	3,6	3,8	4,2				
Services	16,5	12,6	10,9	16,6	12,6	11,1	17,0	12,9	11,3	17,5	13,4	11,2				
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	

Source: The National Agency for Small and Medium Enterprises and Cooperatives  
The Chamber of Trade and Commerce of Romania