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DOCTORAL THESIS SUMMARY

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INTRODUCTORY NOTES

Because of globalisation, world economy has evolved in ever increasing pace, generating major changes that have influenced also. Globally, SMEs have gained an important status in this economic environment being major contributor to worldwide national GDPs and creating jobs. So, we can explain why this category has been of interest not just for scholars, currently, this research topic is being heavily funded. Then again, even though the interest is genuine and the researchers keen on it, the issue has a lot of unsolved elements.

SMEs are, for the most part of Europe the backbone of the economy as they are as well suppliers as clients for the large enterprises but also major contributors to local budgets. So, most communities are being economically sustained by SMEs which makes their evolution equally interesting to other local entrepreneurs but also for local authorities and academic circles

For all emerging economies, the development of SMEs is a strategic desire, this option can become a viable one unless there is a combination of clear analysis based on the local environment and a set of actions meant to counteract slip offs or to amplify development trends. Our study aims at investigating

these dimensions, the main intent being to identify those elements that favor or interfere with SME development and to describe those actions needed to adjust the state of facts.

Despite the numerous studies in both foreign and domestic literature the topic raises a sum of questions. Our research tries to bring and to explain recent concepts used by well known authors in strategic management of SMEs, our main goal being accurately present all those aspects that SMEs incumb, those positive and those negative ones.

SYNTHETICAL PRESENTATION OF THE CHAPTERS

The first chapter is dedicated to making the reader familiar with the boundaries of the concept we here discuss about (SME), as well as making some points about their importance, showing some real worldwide examples and the way in which they influence the economic progress in emerging countries. The first chapter is also a landscape view over the SME sector.

The second chapter is aimed at bringing to front the manner in which strategic management affects the emergence and the progress of SMEs, various approaches (strategies that are implemented at enterprise level) make for different patterns of evolution.

The third chapter shows the links and the mutual influences between SMEs, turning global, the competitive advantage and the concept of competitiveness, the SMEs being the index of this concept, exploring it being easier at the functional enterprise level.

The last chapter, integrated in the second part of our research is dedicated to a case study which takes the form of a qualitative and quantitative investigation which uses well known statistical instruments to extrapolate results. This chapter tries to test some hypothesis that we tried to validate or invalidate, being about some capital issues in the analysis of SMEs. The chapter is also meant to analyse in a comparative manner a set of SMEs from Germany and Romania.

1st Chapter: SME mission in economy and society

The close bond between the concept of entrepreneurship and SME is highlighted by the frequent use of these two concepts as synonyms, Carree and Thurik, mention the ever growing role of SMEs in the 21st century by the introduction of the term entrepreneurial economy (Stel, Caree & Thurik, 2005).

The literature mentions the emergence of SMEs meanwhile that of modern cities. In 1849, SMEs have been those that have sustained the business environment of colonial America, those times, many Americans were following that say: "I am determined to become a businessman, a millionaire and nothing else. Telegraph and enhancements of the railway system have made all existing limitations (financial and geographic) disappear. So, small enterprise could profit from trade within and with colonies (Blackford, 2003).

After the two great wars, world economy has witnessed a downturn. Scientific literature has shown that there were multiple visions that represent the concept of SME, before the 1970s researchers thought that economic development can emerge only with the aid of large enterprises, this idea has been sustained by

Schumpeter (1942), Galbraith (1956), Bell (1960) and Chandler (1977), the role of SMEs being considered only a political or social one. This belief has determined on long term a diminution in the number of SMEs.

Nowadays, political leaders like Angela Merkel or Nicolas Sarkozy have proposed to grant after the international financial crisis a special place in the midterm economic strategy to SMEs. German chancellor declared, during a visit to one German SME (Silbitz Guss), where disabled people work, that SMEs have made Germany as strong as it is today.

Other reasons that have lead to the fast development of SMEs (Stokes & Wilson, 2006:14-19) are linked to the improvements in services, preferred by SMEs because it is a dynamic sector, capable of ensuring a fast growth for the enterprise. History has shown that SMEs are those that make for the foundations of new technologies.

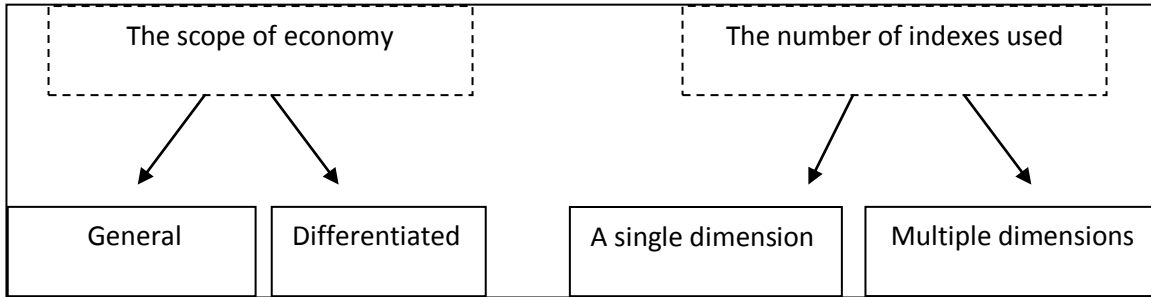
Obviously, seeing entrepreneurs like models to follow has played a decisive role in influencing or helping business emerge. Research has shown that a successful entrepreneur is an endogenous factor of entrepreneurship and he owns a solid education beside those technical and managerial skills (Karami, 2007:131. Two well known authors (Audretsch and Thurik) use the term entrepreneurial economy considering that the passage to knowledge economy has been the main factor that made possible that SMEs become large enterprises. The authors are keen on marking that this type of economy works best when uncertainties and asymmetries are being absorbed by a small enterprise and not a large one (Stel, Caree & Thurik, 2005).

Classifying SMEs over their level of diversity or by other aspects is a difficult job, literature records over 100 definitions (Pfohl, 2006). The size of the enterprise is being defined as "the evaluation of the potential or the real activity of the enterprise" (Pfohl, 2006:3). Determining it or establishing those changes that have appeared over time, for a certain enterprise, is a task having a lot of unknown issues. So, if we try to create groups of enterprises, taking size as the main criterion is a matter of choosing the right measures, those that are truly relevant. Busse von Colbe establishes in 1964 the following criteria for determining the actual size of enterprises (**Mohnkopf & Schmeisser, 2008**):

- **Criteria for evaluating the quantity of elementary factors of production used:** hours of technological labour, raw material quantities, hours of manual labour
- **Criteria for evaluating costs (values) of the elementary factors of production used:** raw material costs, personnel costs, equipment costs
- **Criteria for evaluating the amount of capital used:** own capital, foreign capital
- **Criteria for evaluating quantitative performance:** production capacity, sold quantity
- **Criteria for establishing the financial performance:** turnover, added value

In an article published in Harvard Business Review, Welsh and White said that "a SME is not a smaller large enterprise" (Lavinson, et al., 2007), that is why we consider essential a distinction between SMEs and large entities. In this respect, we can use three main definitions (Steven, 2008): The first is the negative definition – every enterprise that is not large will be surely a small or medium one, then, the one that tells us that in specific industries, enterprises are SMEs and the one based on both quantitative and qualitative criteria. Nicolescu methodizes different approaches of defining SMEs as shown in figure 1.

Figure 1: Approaches to defining SMEs



The majority of SMEs are not listed so they have limited financial resources, this influences also their number of employees. The weakest point of SMEs is the fact that they have a **fable position on the demand market**.

For avoiding misunderstandings on the Common Market, the E.U. has tried to create a definition for SMEs, as simple as possible and unitary, easy to understand and undebatable. As for the definition used in the E.U. starting from 1st of January 2005 it is obvious to be mentioned that financial ceilings have been raised, mainly because from 1996, the European Commission has issued a recommendation that was not valid because production and prices rose. Even if other ceilings were raised, the number of employees remained the

Table 1: Criteria used to include an enterprise in the category of SMEs starting with 1st of January 2005

Enterprise category	Number of employees	Turnover(million €)	or	Result(million €)
average	< 250	≤ 50		≤ 43
small	< 50	≤ 10		≤ 10
micro	< 10	≤ 2		≤ 2

In the 1990s, the first private owned Romanian enterprises have chosen as a sector of activity commerce. At the end of 1996, there were 546.511 SMEs that managed to produce 30% of GDP. The percentage of firms having less than 10 employees was of 93.4%, this trend being visible until 2009. The law for SMEs (nr. 133/1999) brought a number of benefits for these enterprises as making registration easier (Catoiu & Veghes, 2003).

The terms „Mittelstand” – middleclass and SME or ”family business” are often used in literature as synonyms although opinions on how the terms should be used are at least diverse. It is most common in Europe because in the US the distinction between SME and family business is pretty clear. In our opinion, even though the boundaries that are the number of employees or the turnover differ, there are a lot of resemblances even the attribute of being owned by a family. One of those problems that affected this type of enterprises in the 1950s and 1960s was the generation gap and the generation switch. The first question that every entrepreneur raises is if the sequence can be solved inside the family or if it is better to search for someone outside it. In the US, because of the large number of exceptions, The US Small Business Administration (SBA), a government department that has starting analysing in 1953 SMEs as separate entities. This department defines in 2002 a SME as independently owned and ran, not having a dominant position in the field it operates in.

The most common dimension standards are:

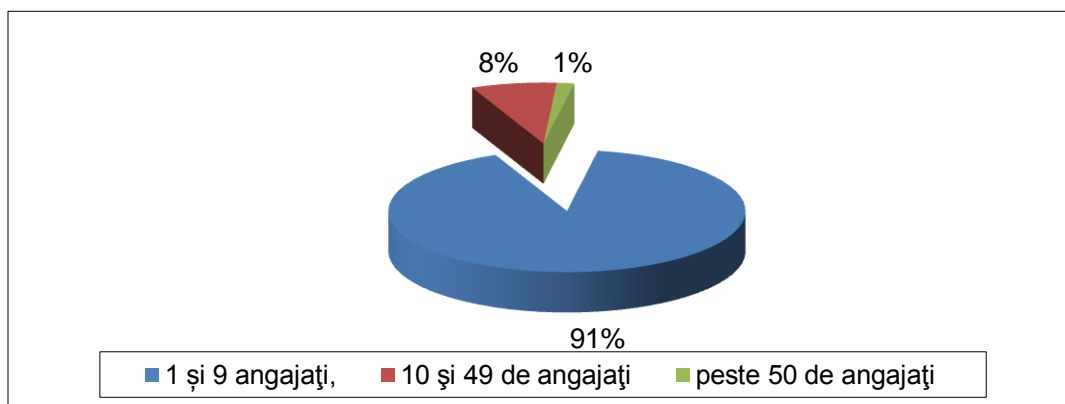
- 500 employees for the most mining and processing industries;
- 100 employees for the enterprises involved in gross trade;
- 6.5 million \$ annual revenues for most retailers;
- 31 de million \$ annual revenues for heavy industries;
- 12.5 million \$ revenues for all special traders;
- 0.75 million \$ revenues for most enterprises that operate in agriculture;

Canada’s National Statistical Agency defines SMEs as ”enterprises with less than 250 employees and total revenues less than 50 million dollars” (Canada Statistics, 2009). In Asia, Japan has had six different and distinct time spans, that have affected the development of SMEs.

SMEs have a lot to do with enhancing competition and so, they limit the emergence of monopolies (Mugler, 2008). Large enterprises are free to change prices and are obliged to invest in technical development so their products can reach the desired status. The barriers that were before limiting the access of new rivals are now less visible. A very good example is the Chinese attitude, the large economy admitting that SMEs are very important for the general development. This has been done by adopting a law that encourages and promotes the development of SMEs (Atherton & Fairbanks, 2006).

The SME has a dual role, **both political and social** (Palvölgi et al., 2009:109). Close to 50% of all SMEs in Germany pay close attention to social responsibility, this being in connection with the location they act in (Fischbach & Mack, 2008), fund raising being coordinated by the manager itself. SMEs generate **added value** (Nicolescu et al., 2006). SMEs, especially those new ones have acted as ”agents of novelty”, scientific research shows that **innovation has started within SMEs** (Klapper, Sarria-Allende & Sulla, 2002:2).

Figure 2: Workforce in enterprises, in Romania, by size classes



Discussing on this figure, we observe that in Romania, the substantial part of the workforce is engaged in SMEs and more, in small ones. In our country, 558.021 enterprises have between 1 and 9 employees, 47.600 have from 10 to 49 employees and just 9.850 over 50 (Nicolescu et al., 2009). The evolution of this figure, between 2001-2007 shows that even though micro-firms are more numerous, they do not offer the largest number of jobs. For instance, in 2002 the image was upside-down, as micro-firms were the most numerous but had the smallest number of employees.

The contribution of SMEs to economic growth has been acknowledged when the positive correlation between the development of the SME sector and the general economic welfare has been established (Beck et al., 2005). The contribution of Romanian SMEs to national GDP has been constantly rising from 1995 to 2001, then there were some fluctuations. If in 2005, 45.3% of the national GDP came from SME sector, in 2001 it has reached 67,9% .

The role of SMEs for economic development is also obvious when acting as **market stabilizer** because of the fast response they have to changes. (Nicolescu et al., 2006). This is due to the bond that is created on long term between the SME and its clients.

In SMEs there is a constant struggle to **enhance the skills of its employees**, (Borza et al., 2009: 32) this is where work force is educated and then leaves for the large enterprises. More training programmes are being offered by SMEs than by corporations (Borza et al., 2009: 32). In Romania, unfortunately, only medium size enterprises realise the importance of training having the lowest percent of companies deciding not to invest in training (23.53% in 2006).

In EU-27 there are about 20 million SMEs, so, about 99 of all enterprises are SMEs. In the USA, in 2009, SMEs made for 99.7% of all businesses, a number of 29.6 million enterprises are SMEs. We can find the same large number of SMEs in total enterprises in Taiwan (97.63%) (White Paper on Small and Medium Enterprises in Taiwan, 2008 -Summary). Even in Japan, there were more than 90 % SMEs (99,7%) (Agenția întreprinderilor mici și mijlocii din Japonia, 2009). At the end of 2007, in Argentina, which has suffered a strong downturn during 1999-2002 the percent of SMEs in the total number of business was 99,87% (SePyME Mapa Pyme 2008:3). Even though in Germany there are about 3.6 million SMEs (99.5%), Germany has about 0,3 % under the European average in this respect. Romania has at the moment about the same percentage of SMEs in total economy enterprises, maintaining the pace and the trend. Spain has more SMEs than other European countries, it is above the average, there are about 99,8% SMEs (2.542.020), Spain being the beneficiary of EU subsidies If we are to compare the number of SMEs in Germany (1.657.194) with that in Romania (410.444) we will see that there are 4 times more SMEs in Germany than in Romania. Bulgaria has only 239.631 SMEs, a number close to that in Austria (272.724) or Denmark (201.578) while countries like Cyprus (39.225) are below the European average (Comisia Europeană, 2009).

SMEs contribute in a smaller amount to the national added value: 58.1% in comparison with their contribution to labour absorption: 67,5% (Comisia Europeană, 2012). Above the European average ratings had: Germany with 59.0% , Holland - 63.2% , Latvia 65.8%, under the average: Romania - just 52.7% (SBA Fact Sheets, 2012).

Technological changes, rising consumer demand for personalized goods, limited state intervention, innovation in design and manufacturing, globalization have favored the emergence of SMEs, making them operate constant changes in their operational structure.

Empirical research over SMEs as well as promotion initiatives have a well known tradition. Unfortunately, many researchers have thought at the beginning of the 20th century that the role of SMEs in the process of economic development is insignificant, more, they thought SMEs are fences rose in front of economic development. Even though SMEs make for a large part of all enterprises, their contribution to GDP and to the world stock of investments have been yet modest. Their competitiveness did not rise as fast as their number. The lack of a clear definition makes standardizing harder and made almost impossible for creating global development programmes for SMEs based on scientific research. This is the reason why the European Union, having a common market made possible for a single definition, a definition that Romania has adopted and this way engaged in creating and maintaining the environment described by the European laws.

2nd Chapter – Strategic Management and SMEs

Scientific literature does not agree on a single definition. From an etymological point of view the word comes from the Greek “strategos” a word that defined the role of the general that lead an army. In ancient Greek “stratos” meant army and “egos” – leader (Thomson & Baden-Fuller, 2010:20). Later on, the term referred to the psychological and behavioral abilities of the army leader itself. During the age of when Pericles lived strategy defined the existence of some managerial skills, administrative or rhetorics (Ciobanu & Ciulu, 2005:21-22; Istocescu, 2005:15).

In his well known masterpiece “On war”, Carl von Clausewitz defines strategy as being “the theory of using battles in the purpose of making war” (von Clausewitz, Maude, & Graham, 2008:147). Strategy, in his vision, not only that reflects the establishing of the war plan, choosing the battle place but also a clear analysis of the opposing force. So, in our opinion the most important thing to remember and think on is the evaluation of the internal and external environment of every entity, weather army or enterprise.

In the mid 40s after, unfortunately the industrial revolution did not bring any significant improvement in the way management strategies were perceived but game theory and works by John von Neumann and Oskar Morgenstern „The Theory of Games” (1944) the science of strategic management is being transferred to effective enterprise economy (Grant 2010:14). Strategy is about the “**complete plan of the economic actor which takes into consideration a possibility for every possible event**”. So, strategy is the one that shows the economic actor what to do and how to act on every event having into mind the opportunities for every possible scenario (Johnson, Scholes & Whittington, 2008:241). Strategies that players choose are considered being pure if all the moves other players take are known, in this case, the scenario is a determined one. If the event is an unknown one then we can speak about a probabilistic event that can determine the usage of a combined strategy (Chatterjee, 2006: 272).

Strategic management remains still a way to administer the strategy, meantime correlating global strategies and operational policies. Draft understands this as a way to manage a set of decisions (Băcanu, 2006:40), or as Tanțău pointed, strategic management is art and a science that tells you how to use existing resources within the enterprise in the purpose of following the enterprise goal (Tanțău, 2011:35).

The purpose of strategic management is to exploit and create new and various opportunities for tomorrow as planning for future means trying to optimize the ability of the enterprise to gain tomorrow from today's trends. The term "strategic planning" has emerged in the 1950s being all too popular in the 1960s and 1970s. Although using this term has reached a peak of popularity starting from the 1980s it became obsolete mainly because the failure of those diverse planning methods (Barney, Hesterly & Hesterly, 2010: 6). Bea and Haas underline the informative role of strategic planning (Bea & Haas, 2005:11) in those days.

Vision shows what an enterprise desires to become (Barney, Hesterly & Hesterly, 2010:11) and what its plans are for the future. Developing a vision and a certain mission is a first step for strategic planning. **The mission** shows the field of activity the enterprise wants to act in, the clients the firm wants to interact with as well as its inner reasons to (Popa, 2002:58). The mission is more consistent than vision even though it has to be at least as relevant for all involved parties (Hitt, Ireland, & Hoskison, 2009:19).

The single known fact of strategic management is the ability to adapt to changes a decisive factor for survival for any enterprise regardless of the field it operates in. Strategists are those who can decide the success or the failure of an enterprise. Over time we could spot many words to describe them: CEO (chief executive officer), president, owner, executive, entrepreneur, etc. Making scenarios does not mean guessing the future but more taking into consideration different angles of the future, various configurations of the variables that define the key environment as to underline strategic flexibility.

The main stages of this process are **establishing, implementing and evaluating the strategy** (Barney, Hesterly & Hesterly, 2010:6). Understood as a process, strategic management is a sequence of stages that do not have a linear sequence but are more a number of interdependencies between stages, according to Japanese models they overlap (Raps, 2008:24). These stages begin with establishing the strategy, pass then to all those stages that implement it and follow its course to the final evaluation. Anyway, if the result is an excellent one that does not mean that the strategy is replicable (David, 2011:288).

Establishing the strategy, a task that in Popa's vision must be a rigorous one (Popa, 2004: 60) is first about developing a mission and a vision. Equally important is identifying opportunities and dangers that lurk in the external environment and also marking those strong and fable inner points (Barney, Hesterly & Hesterly, 2010:6). Hart believes that there are five ways of establishing a strategy, more, he identifies various models used at different levels of management.

The next stage deals with the way in which a strategy is being implemented and includes the development of a type of corporate culture that aims at supporting the strategy using the structure of the organisation, redirecting marketing efforts, preparing budgets, developing and using software and IT systems and synchronizing compensations systems with organisation performance (Barney, Hesterly & Hesterly, 2010:6). Popa also thinks that implementing the strategy should be systemic and efficient (Popa, 2004:60), because it has as a final aim the transformation of an existing status in a desired one (Raps, 2008:27).

The final stage of the strategic management process is evaluation of the strategy, this stage is meant to analyse the validity of a strategy and the strategy will undergo some changes if needed and when the environment changes also. There are three major evaluation strategies: reevaluating internal and external factors that have been the basis for the present strategies, for measuring performances and taking coercive

measures. Reevaluating is necessary because a strategy that is successful today may not be tomorrow. All three stages of this process will be implemented at all hierarchical levels of the enterprise. A vital role is played by communication and interaction of all those involved (Lynch, 2009:13).

The advantages of applying this process in the enterprise offers a clear vision over the entire enterprise and focusing on things that are important for the strategy (Wheelen & Hunger, 2010:6). Disadvantages mainly refer to being an expensive process.

Figure 3: The advantages of applying strategic management



Changes that happen in the economic culture and in the way people perceive things, changes in technology, demography, enhancements or downturns of the economic status in an economy/region, they all determine the evolution of the environment and influences in an equal manner market needs (consumers), so, the enterprise. From the 100 enterprises that made the Forbes TOP 100 in 1917, just 13 have survived to date (Wheelen & Hunger, 2010:6). What is a sure thing today will be an uncertainty tomorrow, so, one of the key elements of strategic management should be ensuring the existence of **competitive advantage**, meaning “the thing that an enterprise can do better than its counterparts”

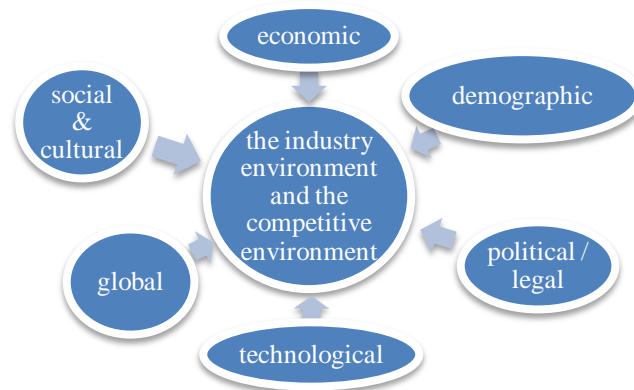
In the 1960s people thought that a company’s external environment is the most important thing determining the welfare of an organisation because it can pressure or mislead the enterprise. The positioning school offers a proactive approach that brings the same external environment analysis to front (Mazzarol & Reboud, 2009:151). Because the enterprise acts in a segment of an industry, the number of strategies that they could choose is already limited (Hitt, Ireland & Hoskisson, 2009:13). Every process within strategic management must begin with an environment analysis, made of evaluating, monitoring and disseminating information from both external and internal environment.

The analysis of the external environment is a continuous process that stands for a number of four different activities: scanning, monitoring, previsioning and evaluating. The object of analysis is identifying opportunities and external danger (Hitt, Hoskinsson & Ireland, 2009:37).

Stakeholders are those individuals or those groups that can influence the vision and mission of an enterprise. They are those affected the most by an executive decision and instead can have control over the performance of an enterprise by their power of giving or taking capital from an enterprise. That is why maintaining good relations with the stakeholders can have a decisive impact on the enterprise (Hitt, Hoskinsson & Ireland, 2009:20).

The external environment can be divided in 3 large shares: **the general environment**, **the industry environment** and the **competitive environment**. (Hitt, Hoskinsson & Ireland, 2009:35).

Figure 4: The external environment of an enterprise



The analysis of the three environments cannot be taken separately but in an integrated way as vision, the mission and the strategic options of the enterprise can lead to a real enhancement in the economic performance of an enterprise (Hitt, Hoskinsson & Ireland, 2009:37). The essentials in strategic management are identifying at a functional level these points, making strategies that can cumulate all strong points and eliminate those fable ones that analysis has determined. These features are all determined relatively, by comparison with own objectives or by those set by competition.

Managerial strategies at business levels (Tanțău, 2011:34) offer models to take important decisions that will be implemented on long term (Grant, 2010:19). Decisions affect every enterprise in a specific way (Thomson & Baden-Fuller, 2010:22). The essence of this strategy would be the decision to make things otherwise or to make other things, some enterprises like Southwest have generated maps that represent the activities the company has, this to better integrate strategies (Hitt, Hoskinsson & Ireland, 2009:103). Often, strategy splits in two: cost leadership strategy versus differentiation strategy, both offering reasonable and coherent answers.

When an enterprise decides to operate on a **differentiation** strategy (Borza et al. 2008: 94-95; Hitt, Ireland & Hoskinsson, 2009:105), it tries to offer something different, hard to copy, making competitive advantage emerge (Johnson, Scholes & Whittington, 2008:229). The enterprise can do this by making better products, enhancing service or making products last longer. It is important that potential buyers are willing to offer a higher price for the difference in quality, durability, etc. that the product offers. This raises the turnover of the enterprise, so, this strategy can be seen as a starting point for a successful business. (Hungenber, 2010). Then again, there are two dimensions of this issue, a tangible and an intangible one.

The added value a company makes through **differentiation** must be the one the enterprise perceives and not the one customers perceive. (Aaker, 2010:276). Unfulfilled needs play an important role (Aaker, 2010:155). These needs can be discovered **directly** (Simon & von der Gathen, 2010:79) from the buyer with the aid of interviews, brainstorming or Delphi questionnaire techniques (Lynch, 2008:637) (interrogating experts and extrapolating the average results).

The "oriented" strategy limits to a segment of market bounded by physical elements, on a line of products or on a group of clients. It is important that we can follow either one of the strategies that we have already presented but on a niche (Mazzarol&Reboud, 2009:151-152). **The hybrid strategy** is one that allows exploiting the advantages offered by the two strategies although enterprises do not offer such an important differentiation and not such small prices (Borza et al. 2008:96). There are different opinions, weather this strategy can be a successful one and not a compromise of the two mentioned earlier.

Even if the number of SMEs is large in every world economy, having an important role in GDP formation, they are not as well represented in management R&D field. Major research has indicated that choosing a strategy is most important for SMEs, the reasons being mainly the limited resources that do not favor various strategic and organisation configurations.

A study by Deimel (2008) has shown that strategic planning in SMEs is based ore often on classical analysis, quantitative analysis, both oriented on short term indexes, on turnover, costs and productivity analysis (Deimel, 2008:292). Strategic quality methods are seldom used in SMEs. It is interesting though that enterprises ran by the owner use fewer strategic instruments in comparison with SMEs ran by a CEO (Deimel, 2008). Owners do not think strategies and do not select proper implementing instruments.

For SMEs, as Stephen Covey said, the **mission** is more a task on discovering the own future to be and not defining it (Băcanu, 2006:42). The process of strategic management is being used more often in SMEs (David, 2011:23), as we had already shown by presenting the models, even if with some regards, true, in some few issues. It is considered being an unique process that does not resemble the one used by large (Jones, & Tilley, 2003:36). **Problems** that could emerge when implementing strategic management are those feared by most SME managers: first, there is the lack of flexibility, the idea being based on the fear that implementing some instruments or strategic measures could limit SME flexibility, ending up losing their competitiveness. Another argument which is not in favor would be not using the enterprise resources efficiently. Then, the manager would waste precious time with finding and executing strategies, paying less attention to actual production activities, the latter being those that provide the actual income (Deimel, Kraus & Reiche, 2009:41), and last but not least, beaureucracy that has been associated with this process (Dombrowski, et al., 2009: 128).

Churchill and Lewis think of five stages in the development of an SME: (a) **emergence** (b) **survival** (c) **success**, (d) **take off** și (e) **maturity based on resources**. Other authors have shown that SMEs can develop on two separate axis, those being product axis and market axis, they will determine choosing different strategic options. Adopting a general strategy can be an option for a long time span because a choice like that is fundamental for the SMEs, a choice that will rarely change over time (Leitner & Guldenberg, 2010:174). We must, then, underline that strategic change is risky and it does not always come cheap.

SMEs have a simple structure that allows them to act fast on strategies that are chose as fast, this being a feature of their ability to be flexible (Franczak, Weinz & Bradley, 2009:69).

Going international as a strategy for SMEs offers an incremental image, being applied in a five stage model, offering the possibility for SME to develop their international expertise gradually (Cullen, 2002:388). The first stage puts SMEs in the position of making passive export meaning that they will answer to external demand but they will not act on knowing that there is a strong external market. The

second stage has as a main attribute a direct export management, this meaning that managers or owners have as a main goal making exports with the aid of indirect sources, mainly because financial limitations. The main barriers in the decision to implement the internalisation strategy, and we think that it is compulsory to mention that for SMEs, competition manifests only in the internal market, core, penetrating external markets is risky, costs generated by this operation are high and the potential benefits not significant (Cullen, 2002:391).

Strategic alliances aid SMEs to develop essential competencies, companies become keener on innovation, they focus on certain ideas and concepts. Motivation behind this action is that they need to be allied with the largest competitors (Gomes-Casseres, 1997:34). If an alliance becomes successful then it has to generate an enhanced productivity, marking the need of collaboration with (Harris, McDowell & Gibson, 2010:96).

In our opinion, strategic management for SMEs is not accessible from the financial or knowledge point of view but it is more a competitive advantage, of course if it is correlated with the features an SME has

We appreciate that strategic management is a real challenge for both theorists and for practitioners, the challenge being highlighted by the fact that there is not definition to be accepted by all, the sides of the issue are being described with the help of other disciplines like: psychology, economy, etc. The evolution of this idea marks an evolutionist pattern, similar to that of the human species.

The whole mechanism starts with an analysis of the internal and external environment of the enterprise. Even though there is no consensus about the exact determination of the decisive external and internal factor in literature it is important that the SME can gather enough knowledge and competencies as to be able to perceive, interpret and prevision the changes to be as to be able to adapt to the opportunities and dangers in the market. So, we can easily understand the multitude of strategies, each being an answer to both external and internal environment. Porter's competitive strategies have been considered viable in SMEs, thing that even our study proved to be true.

3rd Chapter – Competitiveness and the competitive advantage in SMEs

Competitiveness is a multidimensional concept (Jones, 2003:18), this meaning that definitions, important factors, methods of measuring are limited (Man et al.2002:126). Enterprise competitiveness reffers to "the ability of a company to produce and/or to sell goods that are better than those of competitors this taking into consideration the price and other nonfinancial features" (Cruz & Rugman, 1992). The superior value is perceived by the client and this aspect has to be understood by top management. The value of a product or service has to be transformed in profits for the enterprise (Grant, 2010:35).

Porter said that this concept (competitiveness) is a function of progress, innovation and an ability to change and improve for an enterprise (Porter, 1992:40). Because every enterprise follows a lifecycle and

the last stage is definitely decline, adaptation is compulsory (Grant, 2010:271). Seen as a result, competitiveness can be measured with the aid of tangible and intangible indexes. Cerrato and Depperu spotted that there is no way to measure future competitiveness because indexes we have mentioned reveal past and future competitiveness (Cerrato & Depperu, 2011:314). Enterprise competitiveness is a result of the macro environment as governmental policies, infrastructure and telecommunication systems (Mesquita, Lazzarini & Cronin, 2007:502).

To create a **long term competitive advantage**, so, a sustained one (Man et al., 2002:125, Lynch, 2009:76; Barney & Hesterly, 2012:95; Lynch, 2012:107), the enterprise must keep in mind that there are four factors of influence : costs, accumulated knowledge, relationships and the structure of the firm. Resources of an enterprise are those elements that managers can use (Grant, 2010:127), both physical and intangible (Bogner, Thomas & McGee, 1999:278), their importance has risen in the past years, enterprises invested more in managing their goods (enhancing, improving) (Sparrow, 2005:136).


The utility of every element involving resources is determined by the age, capacity and emplacement. Tangible resources have a limited value and are considered as being first rank assets (Hitt, Ireland & Hoskisson, 2009:77). Then, there are financial resources like capital, cash, borrowers, creditors, may they be shareholders, banks or other financial entities. What can be taken into consideration is the demographic profile, the knowledge accumulated by employees that are visible among the networks created. Intellectual capital is an intangible resource, this being assimilated to trademarks, inventions, patents, business system, other commercial information. These are essential for generating and maintaining a competitive environment, adding value to the one the enterprise already has (Chandrashekhar, 2009:41, Ferreira et al. 2011:322).

Resources differ from enterprise to enterprise because each of them has accumulated them different and will use them different when taking benefits from the opportunities that are in sight. Some entities choose not to use their resources (Bogner, Thomas & McGee, 1999:282). **Skills** are those abilities developed within the enterprise, that give their owner the opportunity to make something right, better, more efficient or faster (Grant, 2010:127; Thomson, Gamble & Strickland, 2004:82). In a simplified manner, this is how competitive advantage at enterprise level can be defined (Grant, 2010:44), all in an integrated manner (Hitt, Ireland & Hoskisson, 2009:16).

The adequate combination of resources (infrastructure, capital, technology, human resources) and competitive processes (quality, service, adaptation to needs, fast thinking) can lead to a competitive advantage that can be seen as enhanced market share, profits, enterprise growth, durability, etc. (Borza, 2012:20, Mariotti & Glackin, 2012:115). An increased market share can be a precursor of higher profitability, by either diminishing costs or scale economies (Lynch, 2009:79). Resources can be seen as enterprise assets, accumulated sometimes by luck or even because of a preferential treatment from governments (Bogner, Thomas & McGee 1999:282).

Even though at a first impression some could consider that a patent can protect an invention that the enterprise manages to generate, things are not always like this meaning that for recognising a patent, the institution that use to do this must receive detailed information as to be able to acknowledge the element of novelty and so, to patent the object, procedure, etc. The danger is that a rival enterprise can obtain very easy the set of information. On a short time span, an invention can be protected for copying but as time passes it could be substituted by equivalent goods/technologies (Barney & Hesterly, 2012:99).

Table 2: Highlighting an existing advantage

valuable?	Rare?	Expensive to be imitated?	Exploited by the enterprise?	Competitive implications?	Strong or weak point
No	-	-	No	Competitive disadvantage	Weak point
Yes	No	-		Competitive parity	Strong point
Yes	Yes	No		Temporary competitive advantage	Strong point and distinctive competition
Yes	Yes	Yes	Yes	Sustained competitive advantage	Strong point and a sustained distinctive competition

Classical sources of competitive advantage can be considered scale economies and product standardizing, (Grant, 2010:331), lower costs for larger operations and an important budget for commercials, especially needed in marketing niche products (Lynch, 2009:147). These sources are outdated because they do not ensure superior income (Hitt, & Ireland, Hoskisson, 2010:8). As sources of scale economies, Grant mentions first technical links between input and output, indivisibility and specialization.

The new competitive environment has as main features hipercompetition, uncertainty and technological change, there is a constant battle between innovative economic actors that are constantly challenging each other with the intention of ensuring a better competitive spot, not just in a national economy but in the global one and then again to enhance own performance (Hitt, & Ireland, Hoskisson, 2010:8).

Another source of competitive advantage is **rising importance of knowledge and intelligence** as intangible assets of an enterprise (Hitt, Ireland & Hoskisson, 2010:13; Bogner Thomas McGee 1999:279), that must be acquired and developed inside the enterprise in a ``knowledge economy`` (Grant, 2010:16). This is an economy that creates welfare using knowledge management and not financial or other physical assets (Dess et al., 2012:165).

Relationship with all stakeholders has become an important source for obtaining competitive advantage (Hitt Ireland, Hoskisson, 2010:20). Companies like Marks & Spencer, Toyota or Benetton have cultivated close relationships with their suppliers and distributors, this fact has contributed to obtaining unique products (Lynch, 2009:104) and sometimes to vertical integration.

Location can be seen as a source of competitive advantage (Mariotti & Glackin, 2012:115), companies have to foresee changes in the economic environment as to choose location for future development.

Sometimes, cultural influence can be of great importance (Hitt, Ireland, Hoskisson, 2009:217). The interest for corporate social responsibility, for ethics or for sustainable development can be seen as sources of competitive advantage (Grant, 2010:16).

Corporate culture (Lynch, 2009:221, Hitt, Ireland, & Hoskisson, 2009:368) is yet another source of competitive advantage for companies. Starbucks has developed a culture that aims at reflecting openness, responsibility, a friendly environment and focus on development (Lynch, 2009:223), things that are essential for generating competitive advantage. **Human resource** can play an important role if it has the proper authority, so, being capable of taking decisions (Thomson & Martin, 2005:124). Strategic planning is the privilege of top management.

Inside the company, **good internal and external communication** makes for one of the sources of competitive advantage. Without this, necessary information does not reach departments, suppliers or other parties implied in the learning process that makes people gain precious skills (Thomson & Martin, 2005:125 Dess et al., 2012:169). Other sources are: **differentiation, low costs or quality** (Mariotti & Glackin, 2012:115). It seems like differentiation is the one granting the most solid basis, because for SMEs, maintaining low costs is a difficult task (Mariotti & Glackin, 2012:120).

Globalisation is a complex phenomenon that ensures welfare, then again, globalisation is seen as sources of many present economic problems. The main features of globalisation are free trade, increasing foreign investment, the emergence of across the border financial flows that lead to increasing competition, boundaries like space and time decreased their importance. New technology spillovers affect profoundly comparative advantage in national economies and the way in which enterprises compete on international markets (Wheelen & Hunger, 2010:60). Between the two great wars we have witnessed a strong belief in national economies, political autonomy, a so-called autarchy, decreasing demand, increasing exports and trials for compensating the balance of payments deficit.

Globalisation has changed the economic environment for SMEs, meaning that it has reduced the number of effective ways of competing efficiently on markets because niches have become the attribute of large enterprises, lowering the turnover of SMEs. All these and a decreasing demand has made the enterprise become unable to cover its costs. That is why there is the need for adapting, from this point of view, competencies become compulsory for maintaining competitiveness. We can also discuss about international entrepreneurship based on global opportunities that are discovered and exploited by the manager, their main attribute being the fact that they can be found outside domestic markets (Hitt, Ireland & Hoskisson, 2009:372). As a proof, 97 % of all American enterprises that export are SMEs (Mariotti & Glackin, 2012:120).

We consider essential for a manager to understand what competitiveness means for the own enterprise, the important factors and methods or instrument to measure competitiveness. The majority of definitions link this concept to competition, this underlines the importance of information and intelligence.

The recent financial crisis has led to awareness about economic interdependence, this can have positive or negative effects on SMEs. The number of active SMEs is ever increasing. Internalisation could manifest despite financial and human limitations, its main strong points being strategic flexibility and innovation.

4th Chapter – Qualitative and quantitative analysis on the competition of SMEs

In the 4th chapter we desired to conduct an empirical analysis, using case studies for revealing essential practical aspects (Băcanu, 2006:213). This aims at bringing to front a contemporary phenomenon in its dynamics (Saunders et al, 2003:93), and because there are numerous case studies we can construct a holistic, profound image of this issue. Then again, we have considered that a multiple case study approach is the best choice in dealing with this issue.

Table 3: Advantages and disadvantages of the research interview

Advantages	Disadvantages
flexibility	High costs
Higher rate of responses	Long time span
Collecting spontaneous answers	Inconvenients linked to the respondent's state of mind
Ensuring a 100 % rate of questionnaire completion	not being able to ensure anonymity
The ability to approach complex issues	Difficulties meeting surveyed

The profound interview has been made possible with the aid of various managers. We have chosen to survey them as to be able to obtain important information, managers being those that take strategic decisions. Often, surveyed persons are manager and meantime owners, this being one of the attributes of SMEs. Our interviews have been conducted using an interview guide, every survey lasted for about 25-45 minutes. The interview guide contains a number of questions based mainly on scientific literature and studies that have already been conducted in SMEs with the main purpose of validating scientific hypothesis (Chelcea, 2001:285). Because the order in which questions follow each other can influence answers, it needs that questions are arranged in a logical succession but there is also need for questions that should provide vital spontaneous answers

The purpose of this empirical study is to reveal and analyse the level of available knowledge but also the way in which conception, implementing and strategy control takes place in Romanian SME . Another worthy of mentioning aspect that we want to treat is the kind of strategy Romanian SMEs adopt and if surveyed managers believe and act as there is a direct and strong bond between strategic planning and enterprise performance even if in the economic literature there are various opinions.

The questions we have used to reveal the interesting issues are as follows:

1. For starters, please tell us how you report to a strategy, what is a strategy for you, how do you define it?

The first question of the guide refers to a major theme of research, to the way in which the strategy is defined and what that means for the SME.

2. Please tell us about the strategies that you implement, which is their purpose?

The next step was to find which are the strategies implemented by the surveyed and which is their purpose.

3. Can you tell us how you create a strategy in your SME?

a. Who participates in elaborating the strategy?

b. When and in which conditions do you create a new strategy?

c. Which are the events that make you revise or change a strategy? Can you give examples of factors that have determined you to revise the strategy you use?

The third question tries to reveal the way in which a strategy is developed in SMEs, who participates in creating it, when a strategy is necessary and which are the factors that make changes compulsory.

4. Which is the time span needed to create a strategy in your SME?

We thought of this questions we needed to find out how long does it take to develop a strategy using the instrument provided by strategic planning in the SMEs we have surveyed.

5. Please show us how does implementing the strategy look like?

Question number five shows the way in which strategies are implemented in SMEs, our immediate intent would be to see if this process is seen as a subsidiary activity or the contrary (Peitsch, 2005:48).

6. In your opinion, which would be the greatest challenges in your SME?

News and alarming statistics about bankruptcy among SMEs made us interested in seeing which the greatest strategic challenges are for managers nowadays.

7. Do you think strategies are important for your business? Can you give us some examples of good results that preceded the usage of a strategy?

For this step it is useful to test the utility of formulating a strategy in the SME, by mentioning some good results that have been obtained after a strategy has been implemented.

8. Please tell us about how you evaluate the strategies you implement in your enterprise:

If by now, we have focused on showing how and when is a strategy formulated, this question should show us which are the elements the managers base on when they plan, evaluate or want to revise a strategy.

9. How important do you think are information in the industry you operate in for creating a strategy? How do you manage to have access to information about clients, competitors, etc.?

The 9th question reveals the importance of information in the industry that SMEs operate in, mainly about their clients and competitors in developing a strategy and how is information obtained?

Questionnaire based survey is important for the analysis we desire being a proper instrument for collecting information. We have started by determining specific information that is of the most importance for achieving what we thought of. Then, we must choose procedures, contents and boundaries as well as the scale that allows rescheduling (Chelcea, 2001).

The period when questionnaires were operated has been April 2012 – January 2013. To ensure a high rate of responses we have used the method of direct contact, face to face interactions with the managers we have desired to question (Chelcea, 2001:284) but also sending questionnaires by e-mail or post because of geographic limitations. The questionnaire has 21 inquiries having single choice, based on Likert scale, from 1 to 5 (Chelcea, 2001:311). For processing information we have used SPSS v. 17 and Microsoft Excel.

We have established that our research should focus on the following issues:

- Identifying the impact the financial crisis has had on German and Romanian SMEs.
- Clarifying approaches to formulating, implementing and revising a strategy as important elements in achieving competitiveness as well as the level of involvement the manager or other outside person has for strategic management.
- Checking the level of collaboration between SMEs as well as the reasons it is based on.
- Showing the features of SME managers as main factors of strategic management.
- The analysis of strategic flexibility as an element of SME competitiveness in the context of global economy.
- Measuring the level of knowledge and the skills SME managers need to use strategic instruments.
- Highlighting the way in which SME managers involved in acquiring information.

Based on these major objectives, on scientific literature review and on the results of our qualitative research we have stated eight major research hypothesis:

- H₁: SMEs that follow a differentiating strategy have better performance.
- H₂: SMEs that use low cost strategy have better performance.
- H₃: SME strategic flexibility is correlated with a high impact of changes in the external environment.
- H₄: As high as information importance is as keen on using strategies are the SMEs concerned
- H₅: Innovative SMEs have better performances in comparison with competition.
- H₆: The SME level of performance as compared to that of competition is influenced by their willingness to collaborate with large enterprises or with SMEs.
- H₇: Manager skills and the number of strategic instruments known are positively correlated.
- H₈: Sme evolution in the last 2 years is positively correlated with the number of strategic instruments used by managers.

Because we thought of a comparative study between SMEs in Romania and Germany, we have careful thought of choosing the right subject for our research. So, we have chosen SME from the most dynamic

regions of the two countries: the north-eastern development region of Romania (Bihor, Bistrița-Năsăud, Cluj, Maramureș, Satu-Mare and Sălaj county) and the German land of Baden-Württemberg that has four regions (Freiburg, Karlsruhe, Stuttgart și Tübingen), the ones targeted being the managers of SMEs.

For establishing the north-west sample we have used 7899 subjects meaning in fact the total number of SME community. For the questionnaire we considered relevant that this should begin with a series of general questions that should reflect the structure of the SME sample.

Another period is that when the number of SMEs has risen very fast in Romania starting from 2006, the major influence being that Romania has entered the E.U. but also having a large amount of FDI entering the country, this meant a lot of SMEs have emerged, on their own or as a result of the implantation of large companies.

The turnover in euro for Romanian SMEs is well below 2 million for 55.88 %, then again, 64.15 % of the German SMEs we have studied have an annual turnover of fewer than 2 million Euros.

The structure of the SME sample according to its legal form has revealed that: from all Romanian SMEs, 77.5 % are ltd, and 14.7% are stock companies. In Germany, Ltd's are 41.65%.

Figure 5: The evolution of Romanian SMEs in the last two years

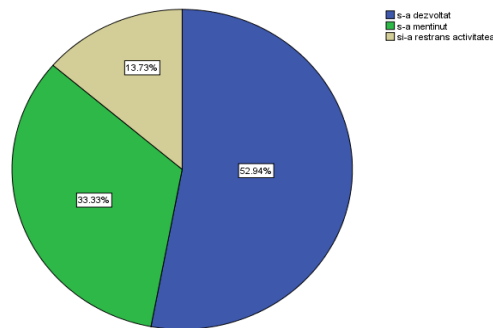
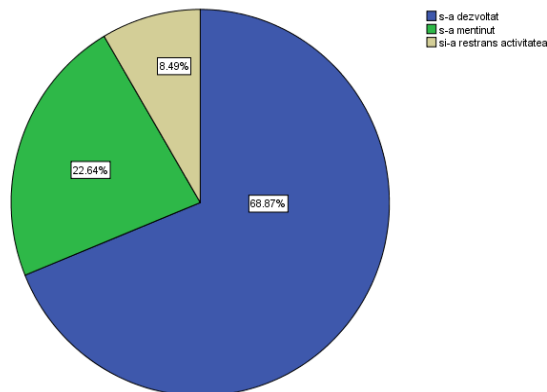


Figure 6: The evolution of German SMEs in the last two years



The answers received make us notice that managers have few years of experience in Romania in comparison with those in Germany (9 in comparison with 14 years). The average age of German managers is 49 years, yet, in Romania the average is 41 years as the youngest is 22 and the oldest 65. The median deviates on average 11 years from the average. More, even if we had expected that access to manager positions should be easier to women in Germany, in fact, in our sample, only 12 % of the managers are women.

Having into consideration that all variables are ordinal we will use as an analytic landmark Kendall's correlation coefficient, All correlations are significant at $p < 0.05$, this shows that the Null Hypothesis can be rejected. So, there is a direct link between the variable that defines performance and the way in which the diversification strategy has been applied. This is positive, so, direct, the change of variable that defines the strategy will determine a proportional change in the performance variable.

In the case of Romanian enterprises we have examined there were some interesting facts that we have observed in direct connection with the eight presumed hypothesis.

H₁: SMEs that act on a differentiation strategy have better performance

Table 4: Positive correlations between differentiation strategy and performance

Variables that define performance	Kendall's Coefficient
Turnover	0.584
Increasing Profits	0.769
ROI	0.731
Productivity/employee	0.806
ROA	0.864
Client loyalty	0.897

As for **the turnover**, the coefficient shows a value of 0.584, meaning that we have a direct and average intensity bond between variables. So, as long as diversity is increasing in comparison with competition so does the turnover. The manager can this way test how a new product affects clients.

H2: all variables that test this hypothesis are ordinal so we will use as a marker the same Kendall coefficient. The only positive correlation was found in the case of ROA (0.725), the result, even though surprising can be easily explainable. ROA is an important index but less usable than ROI even though sometimes ROA reflects better the added value for every extra monetary unit invested in assets that return as profits.

H₃: Strategic flexibility of SMEs is positively correlated with an enhanced impact of the changes in the external environment

The Kendall test confirms the existence of some strong positive correlations, meaning that we will highlight variables that are positively correlated having Sig <0.05. For Romanian SMEs the most important correlation is that between the level of satisfaction clients have and the frequent change in strategies and company structures as to benefit from environment changes. In the SMEs we included in our sample the level of client satisfaction is positively correlated with splitting costs depending on needs. To be able to satisfy all needs it is important that the Romanian SME rationalizes costs (Lussier, et al., 2001:34), meaning that it has to invest only in those departments that help enhance client satisfaction regarding the enterprise.

H₄: The more important knowledge becomes, the more SMEs show the tendency to collaborate

We have tried to show much attention to knowledge, analysing the importance of those gained in family, gained from employees, government agencies, consultants, magazines, articles, etc. (Jay, 2005:140). Profound structural reforms aim at preparing economic actors for opening their markets to international competition.

H₅: SMEs that are innovative have better levels of performance than those that are not

As we have already shown, SMEs in our sample have developed despite the frequent environment changes (Mazzarol & Reboud, 2009:211). The typical reaction as to remain or become competitive is innovation. As we have shown in a study on Romanian SMEs, 32 % of them have concentrated on creating new products. (Nicolescu, et al. 2011:257).

H₆:The level of performance SMEs have is influenced by their willingness to collaborate with other SMEs or with large enterprises but also by the purpose of their collaboration.

Table 5: Positive correlations between performance and collaboration strategies

Variables that define performance	Productivity/ Employee
	Kendall's coefficient
Easier to collaborate with domestic enterprises	0.706

H₇: Managerial skills are positively correlated with the number of known strategic instruments

The efficiency of managerial activities, the way he deals with signals came from the outside environment depends on the degree of education every manager has and it is relevant for enterprise performance. Kendall's coefficient marks a value of 0.679 which stands for an average intensity link between this variable and knowledge about **Porter's value chain theory** as a known strategic instrument. Knowing this instrument can be explained in the case of Romanian managers by the low age average and high level of education (40.2 % of them being master graduates).

H₈: The evolution of SMEs in the last two years is positively correlated with the number of strategic instruments used in the enterprise.

The evolution of the enterprise can be positively correlated with the usage of SWOT analysis as a strategic instrument for the enterprises that make the sample. In this case, Kendall's coefficient has a value 0.810, meaning that there is a strong bond between the two variables. So, strategic planning is correlated with the usage of this instrument as mentioned in literature. The SWOT analysis is the best known instrument (Simon & von der Gathen, 2010:23; Werbach, 2009:18) that classifies influences on an enterprise as strong points, weak points, opportunities and threats, highlighting its strategic abilities. (Johnson, Scholes & Whittington, 2008:119).

As for the analysis we have conducted for German SMEs, the results are as follows:

H₁: SMEs that act on a differentiation strategy have better performance

Results obtained for German SMEs mould perfect on the theories found in literature.

Table 6: Positive correlations between performance and the differentiation strategy

Variables that define performance	Kendall's Coefficient
Market share	0.870
Client loyalty	0.813

H₂: SMEs that act on a low cost strategy have better performances

According to the results we have obtained there was no significant correlation between adopting low cost strategy and German SME performance.

H₃: Strategic flexibility of SMEs is positively correlated with an enhanced impact of the changes in the external environment

Competition changes products or services meaning that they enhance quality, design or assortment and these forces SMEs in Germany to act on the changes and revise strategies.

H₄: The more important knowledge becomes, the more SMEs show the tendency to collaborate

Table 7: Positive correlations between the importance of gained knowledge and collaboration strategies

Variables that define the tendency to collaborate	Knowledge gained from family
	Kendall's Coefficient
It is easier to collaborate with SMEs	0.725
Collaboration takes place because of the need to gain supplementary production facilities	0.742

H₅: SMEs that are innovative have better levels of performance than those that are not

Among the sources of competitive advantage we can find innovation (Hitt, Ireland & Hoskisson, 2009:70) that must have a continuous nature. Because innovation is often found in SMEs we must refer to it as is. The statistic results show an average correlation between innovation and increasing profits

(Kendall equals 0.681), so, even though innovation is for SMEs short and intuitive it impacts on the SME profits.

H₆: The level of performance SMEs have is influenced by their willingness to collaborate with other SMEs or with large enterprises but also by the purpose of their collaboration.

We consider that the choice of German SMEs not to focus just on the national market makes them less vulnerable (Grant, 2010:386). The influence on the volume of exports reflects their struggle of adapting their products from the first stages of development for international markets (Kraus & Fink, 2008:126).

H₇: Managerial skills are positively correlated with the number of known strategic instruments

It is gratifying that German managers mention as a main strategic instrument the analysis of a product's life cycle (product, market, sector), an instrument that we consider compulsory for strategic planning. This grants the manager the competence to decide if and when a new product should be introduced on the market Kendall's coefficient in this case is 0.754.

H₈: The evolution of SMEs in the last two years is positively correlated with the number of strategic instruments used in the enterprise.

Table 8: The positive correlations between the evolution of last 2 years and the strategic instruments used in SMEs

	SME evolution in the last 2 years
Variables that define strategic instruments	Kendall's coefficient
The analysis of the Business portfolio	0.694

Concluding notes

Qualitative research is most relevant when analysing dynamic processes and the difficult operation for the researcher would be to catch all the movement in this environment, all the sides of the issue. It was interesting to understand how a strategy is developed, evaluated and to test the impact of manager's experiences on strategic decisions taken. The most important character of strategic management is the

manager itself, the most important attribute being that he has the ability to communicate and motivate his employees.

The size of the sample (102 SMEs in Romania and 106 SME in Germany) can highlight the existing differences in both countries (establishment, legal form of existence, nature of capital, number of employees, last 2 year evolution) Implementing differentiation strategy in Romanian SMEs has an impact on a large number of variables that define performance (turnover, profits, ROI, productivity/employee, in comparison with German SMEs that mention market share and client loyalty.

Differentiation strategy has for Romanian SMEs a positive impact on ROA. For German SMEs there is no obvious correlation.

It is obvious the maturity among German SMEs makes them focus more on recent changes in the market and to rates of growth, critical elements for surviving and improving company performance. Romanian SMEs pay more attention to client needs.

Romanian SMEs are driven by knowledge acquired from government agencies the immediate goal being collaboration with EU enterprises while German SMEs bet on knowledge gained in family, desired collaborations are with small enterprises, the immediate aim being to gain access to extra production capacities.

Results have shown a correlation between productivity/employee and collaboration with domestic enterprises while for German SMEs there is a clear intention to focus on the global market, export rise with initiated collaborations.

So, more education for the manager means more strategic instruments that he knows and uses in strategic planning. The instrument having the best correlation coefficient is in Germany the product life cycle analysis while in Romania the instrument used more often is Porter's value chain analysis.

So, the positive evolution of SMEs in the two samples has to do with using strategic instruments. Then, it is worthy to notice that Romanian SMEs use traditional SWOT analysis and German one business portfolio analysis.

We have overviewed the most important factors that determined the emergence of SMEs and the sources of competitiveness through the number of jobs created and their direct contribution to enhancing welfare.

Analysing literature in this field and the way in which SMEs grow inner competitiveness we have concluded that strategic instruments, knowledge gained, collaboration and flexibility strategies or lower cost strategy make for key elements in determining competitiveness, this being highlighted by the existence of positive bonds between some indexes of performance and some indexes of competitiveness. So, the comparative analysis between Romanian and German SMEs has shown that there are some interesting differences in connection with key elements of every small and medium company's competitiveness.

The strategy that offers the best results for German and Romanian enterprises is differentiation strategy. Romanian SMEs mentioned a positive impact of sustained strategy over ROA. For German SMEs, low cost strategy showed no influence.

What German SMEs focus more on is build higher production capacities. News channels and distribution ones can be structured more efficient maintaining better monitoring form all parties involved. The synergy effect makes SMEs capable of using resources in common via collaboration, so, they manage to reduce costs that otherwise would be individual for all SMEs.

At the beginning of the 3rd millenium with the emergence of knowledge based economy there is a new SME out there, one that has its foundations based on knowledge. This type of SMEs has its assets mostly based on intangible ones: copyrights, patents, exclusive contracts, licences, etc.

We believe that the results of this study will bring an important contribution to extending research area. Simmilar trials are scarce, this is why we believe our study has elements of novelty that can be used for extending boundaries in this field of scientific research

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