Particular Aspects Regarding Strategic Management Implementation in Romanian SMEs

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Abstract: The aim of this paper is to identify the evolution of Strategic management concept during the time, as well as the major benefits of strategic management implementation within the framework of a tough competition on the global markets. The paper also deals with the way in which strategic management is implemented in SMEs from EU countries and Romania also and try to identify the reasons for which there is less interest in applying strategic management in Romanian SMEs.

Keywords: Strategic management, benefits and limits, Small and Medium Enterprises

Introduction
Strategic management has always been a point of reflection and caused a multitude of debates, specialists in the field preoccupied themselves in identifying the main advantages of implementing this concept. With time passing there were done a lot of efforts in carrying out researches having as main topic the influence of strategic in the success of a company. For SMEs, which dispose of limited, financial and human resources the implementation of the strategic management is compulsory from the point of view of efficient using of the company potential.

1 Theoretical Approaches of Strategic Management
The American Management professor Igor Ansoff introduced in 1973 the expression "strategic management" on the occasion of the First International Conference on Strategic Management organized in the United States at Vanderbilt University.

Over time different definitions and approaches were given to strategic management concept. According A. Thompson, A.J. Strickland strategic management represents "the process by which an organization determines its main aims, the fundamental objectives and their level of achievement; decide what measures should be taken to achieve these objectives in a certain time and a certain changing external environment; decide on the implementation of these actions and provide the necessary conditions to change these actions if necessary; assess progress and success ". Strategic Management is a modern enterprise management environment based on anticipation of change, evaluation of the internal potential of the company and the changes that are necessary in order to harmonize it with the environment part of achieve the mission and objectives, to ensure its survival and durability. [1, 427]

Glueck defined strategic management as "the process by which the company's management sets the long-term drivers and performances of the organization, ensuring a careful formulation, proper implementation and continuous evaluation of the strategy". [2, 6-7]

Quinn presented strategic management as "a set of decisions and actions that lead to the development of effective strategies or help meeting corporate objectives". [3, 3]

Since its first use up to present, the term strategic management knew a lot of approaches. Thus, if some authors include strategic management within the framework of "strategic planning", which is considered an integrated planning function of management, other experts believe that strategic management is a distinct stage of management development based on the organization approach within the context of company’s general environment.
In our opinion, based on previous definitions, we can appreciate that strategic management represents a complex and complete process, based on a deep and professional knowledge and understanding of the organization and of its environment, and also on the interdependencies between them, which leads to a better integration of the organization in the context of a permanent changing environment.

Even that during the time there were identified different concepts of strategic management, all the management specialists recognized its role in developing and maintaining organization success.

In fact, the main advantage of implementing strategic management has been recognized since the adoption the official definition of the term. In this respect, participants to the First International Conference on Strategic Management agreed that the implementation of strategic management conduct to a unitary and integrated approach of the company and of its strategic entities, will allow a better harmonization of different stakeholders interests.

On the other hand, strategic process implies a deep analyze of the organization and of its environment in order to ensure its integration in the environment and the construction and development of competitive advantage. In fact, company integration in a permanent changing environment represents one of the most difficult issues. In this respect, environment strategic analysis allows opportunities and risks identification and finally, provides future solutions for obtaining and maintaining competitive advantages.

Strategic process is also based on an objective internal analyze in order to compare the strengths and weaknesses of the firm and its competitors and to find different competitive advantage sources in order to ensure the survival of the company and developing its performance over time. This approach allows also an efficient repartition of the organization resources for improving the strengths and fixing the weaknesses of the company.

Also, strategic management through forecasting component that aims to identify possible changes in the internal and external environment of the company causes a considerable decrease in the company's business risks. However, the practice of strategic management in the performance of small businesses, based on a careful analysis of the external environment and resources of the organization may prevent the emergence of crises in these companies and thus reducing the risk of bankruptcy.

Strategic management contribute also to a better stakeholders interests harmonization and it is leading to a better communication within the organization, a more active involvement of the shareholders to achieve strategic objectives, and an increasing involvement of stakeholders in the company activity.

At the national level, we can appreciate that implementing strategic management in companies and organizations will drive to improve the activity efficiency and to get them more performing and competitive. All these aspect will finally conduct to an increase of the country economic potential, living standards and national economy competitiveness.

However, through all the instruments it holds, the state can initiate strategic plans to determine the development of certain sectors, notably directing public and private resources to these areas.

2. Figures Regarding European Union and Romanian SMEs
According to European Union regulation, SMEs are classified in three different categories, as following: [4, 16]

- Micro enterprises are enterprises that employ up to 9 people represents 92,2% of the total EU non-financial firms;
- Small enterprises employ between 10 and 49 people represents 6,5%;
- Medium enterprises employ between 50 and 249 people which represents only 1,1% of the European SMEs.

In order to understand the role and the importance of SMEs in European economy, SMEs performance is generally analyzed based on three indicators: the number of enterprises, their output via their gross value added (GVA) and the number of employees.
The importance of European SMEs is revealed by the following fundamental aspects: [5, 10-11]

- In European Union space, over 20,355 million SMEs represent 99.8 % of EU non-financial enterprises while large companies employing more than 250 people represents only 0.2%. According to Eurostat, micro enterprises represent 92.1%, small enterprises represent 6.6% and medium companies only 1.1%;
- EU SMEs are considered the most important “employer” in European space as they created, according EU Statistics Eurostat, 66.5% of jobs in the non-financial business economy in 2012;
- EU SMEs created in 2012 approx. 57.6% of the total European Union Grass Value Added.

Research, consultancy and management group from Netherlands – Ecorys is creating every year a report regarding SMEs sector from European Union countries. According to last published report for 2012, SMEs from EU registered the following evolution for 2005-2012: [4, 16]

![Figure no. 1. Number of SMEs, employment in SMEs and value added of SMEs (2005=100)](image)

**Source:** [4, 16]

In order to have a relevant representation regarding the performance of SMEs across EU member countries, research company Ecorys created a graphic representation based on two indicators: employment and Real value Added.

In this respect, SMEs companies from EU countries were analyzed taking the results obtained in 2011 by comparing the two indicators with the levels achieved in 2008

![Figure no. 2. SMEs performance in the SME sector in EU 27 Member States, Index (2008=100)](image)

**Source:** [4, 19]

As we can see from previous figure, Romanian SMEs sector is the less performing from whole European Union countries.

Romanian SMEs sector registered at the end of 2012 over 437,000 companies representing 99.7% of the total number of companies (EU 27 average 99.8%). As regarding the structure, 88.7% are micro enterprises, 9.1 % are small companies and only 1.8% represents medium sized firms.
Romanian SMEs hired in 2012 over 2.52 million employees, representing 65.6% of employees (EU 27 to 66.5%). As regarding, Romania SMEs created in 2012 25 billion euros, which means 50.9% of total added value comparing with 57.6% which is the EU average.

The SME sector in Romania is generally represented by small and medium firms with less micro-firm, compared to the EU average. [6, 2]

3. Strategic Management Implementation in EU and Romanian SMEs

As presented above, between Romanian SMEs and the EU companies there is a huge gap in terms of their performance and their role in the economy in general.

This situation is mainly due to the inability of managers of these companies to identify in due time the changes in the external environment and to find effective solutions.

We can say that SMEs managers lack the skills and knowledge of strategic planning enabling them to solve current problems facing the firm.

This situation represents the result of combining of two categories of factors, namely:

- education and professional training of SMEs managers in general and
- cultural particularities related to entrepreneurial education of Romanian SMEs managers.

Generally, it is largely appreciated the fact that SMEs manifest a poor understanding and application of the principles of strategic management. This fact could explain the large number of SMEs failures within the first five years of operation (50%) as a result of an inefficient management and lack of long-term strategies based on external environmental conditions and company resources.

In this respect, R. Robinson identified some of the main factors which lead to a limited implementation of strategic management principles in SMEs: [7, 128-141]

- SMEs managers don’t have enough knowledge of strategic management and doesn’t have the financial resources allowing them to use the services of specialized firms or strategic management consultants. Moreover, many SME managers do not realize the importance of strategic management and strategic planning and they consider that their firm is too small for these kinds of services which are specific to large companies.
- SMEs managers adopt an excessive confidentiality. Due to their insufficient strategic management knowledge and their lack of trust and openness. They consider current information such as: company resources, strategic objectives and strategies, market information, competitive advantages, etc. as secret information. In their opinion, providing this kind of information to different consultancy firms it could be jeopardized the company’s future and development.
- SMEs managers manifest in their personal life an insufficient concern for planning and setting priority objectives. This behaviour pattern mainly influences their business management as in SMEs the entrepreneur is the central person of the company. He is at the same time the founder, the manager and the owner of the firm. In this respect, he is the person who creates, organizes and runs the business and he has to draw up and implement business strategy. Lack of personal strategic skills determines these managers to pay more attention to solving current and minor matters, thus wasting time which could be used in preparing and implementing of medium and long term projects.

Besides the factors identified in management literature which can influence all SMEs in general, we found out some specific factors related to Romanian cultural in general and entrepreneurial culture, as following:

- Lack of entrepreneurial education of those who start a business. Most often, managers learn how to manage their company when they start their business. They often learn from their mistakes or those of their acquaintances. Lack of entrepreneurial education in school causes implicit lack of basic skills and knowledge of business management, such as; management, strategic management, finance, human resource management, marketing, law. Sometimes, managers are faced with the situation of finding solutions when confronting themselves with different
experiences that could have been avoided and which could have saved time, money and resources etc. In Romania, even it was recently introduced a course on entrepreneurial education for high school students, most often this course is theoretical and not business oriented.

- Lack of networks of organizations that provide affordable consulting and coaching services for start up business. This fact has to be correlated with lack of openness and willingness to learn from SMEs managers. Often, managers of these firms avoid asking for professional assistance due to financial reasons, and considering that they have the knowledge needed to manage their business. Even when they are asking for support, most often they address to people who really do not have the necessary competence to solve their specific business problems. Most often, however, managers do not ask for external assistance in order not to be considered inexperienced or poorly trained. Moreover, there is in Romania a popular saying that can be extended to business: Everybody knows football and politics.

- Plan and strategic planning concepts are strongly associated with the communist regime, especially by managers older than 50 years. This perception is due to the fact that communist regime worked with multi-annual plans, setting unrealistic goals that could not be accomplished. This situation led to devaluation of plan and planning process concepts among these generations.

**Conclusions**

We can conclude that, in the case of small businesses, as well as the large companies that organization's success lies in its ability to capitalize on opportunities in the external environment, to deal with the risks they face, to establish strategic objectives adapted to the environment and to find strategies and resources needed to accomplish them.

In this context the knowledge and implementation of strategic management principles at any type of organization potentially increase its performance and competitiveness in the market.

**References**


**Supplementary recommended readings**


European Commission Regional Policy, (2011), *Connecting Universities to Regional Growth, a practical guide*, September

