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## Article

# Coordination of SMES development : investigating their needs for external assistance provided by specialized institutions

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## Coordination of SMEs Development: Investigating Their Needs for External Assistance Provided by Specialized Institutions

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### Abstract

*In contemporary society SMEs is the main generator of economic performance of a country. They contribute socially, economically, technically, ecologically, through elements of natural capital and the human factor to the sustainable development of a nation. Managers of small and medium-sized enterprises on their way to initiating and growing their own business continue to hit many aspects of development: incoherent legislation, bureaucracy, lack of financial resources, skilled labor shortages and others. With the desire to enhance the success of their own businesses and to cope with market conditions, among the managers appeared the need for external assistance or collaboration. It can be covered only with the help of institutions specialized in supporting and developing entrepreneurship in Romania. The objective of this paper is to identify the needs of business managers to develop collaborations or partnerships with specialized institutions correlated with the delimitation of the main collaborative institutions, the knowledge of the problems encountered in the collaboration process and the means of transmitting the information by them. In order to achieve the proposed objective, a quantitative research has been carried out among the managers of small and medium enterprises in Romania. Taken by random method the sample is probabilistic and the descriptive research was based on a questionnaire, the chosen method being consistent with the type of research. The major contributions of the research project are to highlight the relationship between enterprises and specialized institutions by identifying the need for assistance and collaboration between them in order to support profitable businesses.*

### Key words

Sustainability, marketing, SMEs, sustainable development, external assistance, collaborative institutions, economic growth

**JEL Codes:** M10, M31, Q01, Q56, Q57

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## 1. Introduction

Sustainability and enterprise development are two aspects that outline the concept of sustainable development, context in which by developing effective collaborations or partnerships with specialized institutions correlated with the adoption of holistic business strategies to provide small and medium businesses a healthy and consistent increase in activity and maximization of profitability. In the SME sector, there is a major need for enterprises to receive external assistance from specialized institutions in order to grow their own businesses, associated with the inability to obtain concrete information from the collaborating institutions that support entrepreneurship. Following an exploratory approach, the article aimed to highlight the need for external assistance among small and medium-sized enterprises, correlated with identifying collaborative institutions and their way of disseminating specialized information in order to support business and entrepreneurship and to build a sustainable economy.

In this sense, a quantitative research was carried out among small and medium enterprises, which represent 87% of the total Romanian enterprises. In the research the probability method was used, at the level of a sample of 384 entities, sampling being random. The identification of the needs for external assistance to enterprises, the delimitation of collaborating institutions, the identification of problems and the establishment of the means of transmitting information between the parties were addressed as distinct themes. The processing of the collected information resulted in essential aspects regarding the contribution of specialized institutions to support entrepreneurship in particular, to the development of a sustainable economy in general.

## 2. Literature review

Relationships between enterprises and specialized institutions have always existed (Luxinnovation, 2017). In recent years, no rigorous research has been carried out to establish the impact of collaborative institutions' contribution on business development for small and medium-sized enterprises. However, some researchers have studied the impact of the R & D institutions' contribution to the development of entrepreneurship in their own countries (Abuelmaatti and Vian, 2014; Morariu, 2015; Timotin, 2016). Most studies provide information on the number and scale of partnerships between small and medium-sized enterprises with prestigious universities or other local institutions (Tarek, 2014; Bonner *et al.*, 2015).

Currently, most enterprise managers focus on implementing IT systems, quality management systems, environmental management systems, managerial control systems, financial accounting systems, financing etc. Managers of small and medium enterprises will be continuously concerned with finding ways to develop their business. In the 21st century, both national and international markets are marked by many changes such as: intensification of migration phenomenon, legislative changes, qualification and improvement of labor force, development of new technologies, limited use of natural resources, increase of social responsibilities etc. Therefore, small and medium-sized enterprises need to move from the industrial model to the one based on information technology and recycling of materials, and the pillars underlying their development must be human resources. The human factor, indispensable to modern enterprise, must focus on research, innovation, patenting, recycling, environmental protection, and then on production, distribution and promotion.

Obtaining competitive advantages and increasing the efficiency and social responsibility of an enterprise can only be ensured by incorporating sustainability into the business model. In this respect it is necessary to carry out intensive collaborations with institutions that provide specialized assistance to small and medium enterprises in order to support their development (Oncioiu *et al.*, 2018).

### 3. Methodology of research

The research is based on the assumption that any company active in the market needs external assistance and consultancy for the development of the activity. In order to achieve the proposed objective, a qualitative marketing research was carried out among the managers of small and medium enterprises in Romania. The information necessary for the realization of the quantitative research was taken from the statistical metadata database available on the website of the National Institute of Statistics of Romania. On 15 August 2018, in the National Institute of Statistics database in Romania has been identified a number of 56,862 small and medium enterprises active, with a minimum age of 5 years ([www.statistici.insse.ro](http://www.statistici.insse.ro)). Analysis units were considered to be enterprises, which have between 10-249 employees. These complex entities by their organization and functioning form can provide all the information necessary to achieve the proposed objective. For sampling, enterprises were analyzed on the basis of the following criteria: number of employees, development area, field of activity and duration of operation (minimum 5 years). The sampling base consisted of 384 enterprises - 324 small enterprises and 60 medium-sized enterprises. In table 1 shows the structure of the sample.

Table 1. Structure of the sample

Criteria	Romania SMEs studied		The sample of SMEs investigated	
<b>Number of Employees</b>				
10-49 people	48,092	84.58	324	84.38
50-249 people	8,770	15.42	60	15.63
Total	56,862	100.00	384	100.00
<b>Areas of activity</b>				
Agriculture, forestry and fishing	1,234	2.17	8	2.08
Industry	6,732	11.84	45	11.72
Construction	5,464	9.61	37	9.64
Trade	22,148	38.95	149	38.80
Hotels and restaurants	2,576	4.53	18	4.69
Transport	3,491	6.14	24	6.25
Other services	15,222	26.77	103	26.82
Total	56,862	100.00	384	100.00
<b>Romanian Development Region</b>				
Nord-Vest development Region	8,109	14.26	55	14.32
Centru development Region	5,834	10.26	39	10.16
Nord-Est development Region	5,965	10.49	40	10.42
Sud-Est development Region	5,663	9.96	38	9.90
Sud - Muntenia development Region	5,504	9.68	37	9.64
București - Ilfov development Region	16,029	28.19	108	28.13
Sud-Vest Oltenia development Region	4,526	7.96	31	8.07
Vest development Region	5,226	9.19	36	9.38
Total	56,862	100.00	384	100.00

In order to ensure the best statistical representation of data for selected SMEs, in the descriptive research probability sampling (random) was used. In the first stage, a proportionate random sampling was used according to the four criteria - the number of employees, the development region, the field of activity and the age of operation. In the second stage, using a random number generator, the selection was carried out on the basis of a simple random sample, starting from a list of small and medium enterprises in Romania.

The questionnaire included 9 questions that focused on the following directions: identification of the main needs for external assistance to small and medium enterprises in Romania, delimitation of the main collaborative institutions and knowledge of the problems encountered in the process of providing assistance or counseling. Information gathering was conducted between July 15 and August 15, 2018, by setting up meetings with business executives who have shown interest in participating in this research. The obtained information was processed individually, by analyzing the answers given by the business managers, after which they were centralized according to the compatibility and convergence with the research objective.

#### 4. Results and discussions

After processing the collected information, it was identified the main needs and problems of managers with regard to the provision of external assistance and consultancy for the development of enterprises, on the one hand, and on the systematic growth of their business, on the other.

The first issue was related to the need for external assistance and consultancy for the efficient carrying out of activities at the level of small and medium enterprises in Romania. All managers agreed that the assistance and advisory services offered would assist small and medium-sized businesses to improve their efficiency and economic performance.

Of all the types of assistance needed to boost economic growth and the development of SMEs, they are particularly noted: quality control and certification, compliance with environmental protection requirements and obtaining information on the potential, risks and trends of the international market (see Figure 1).

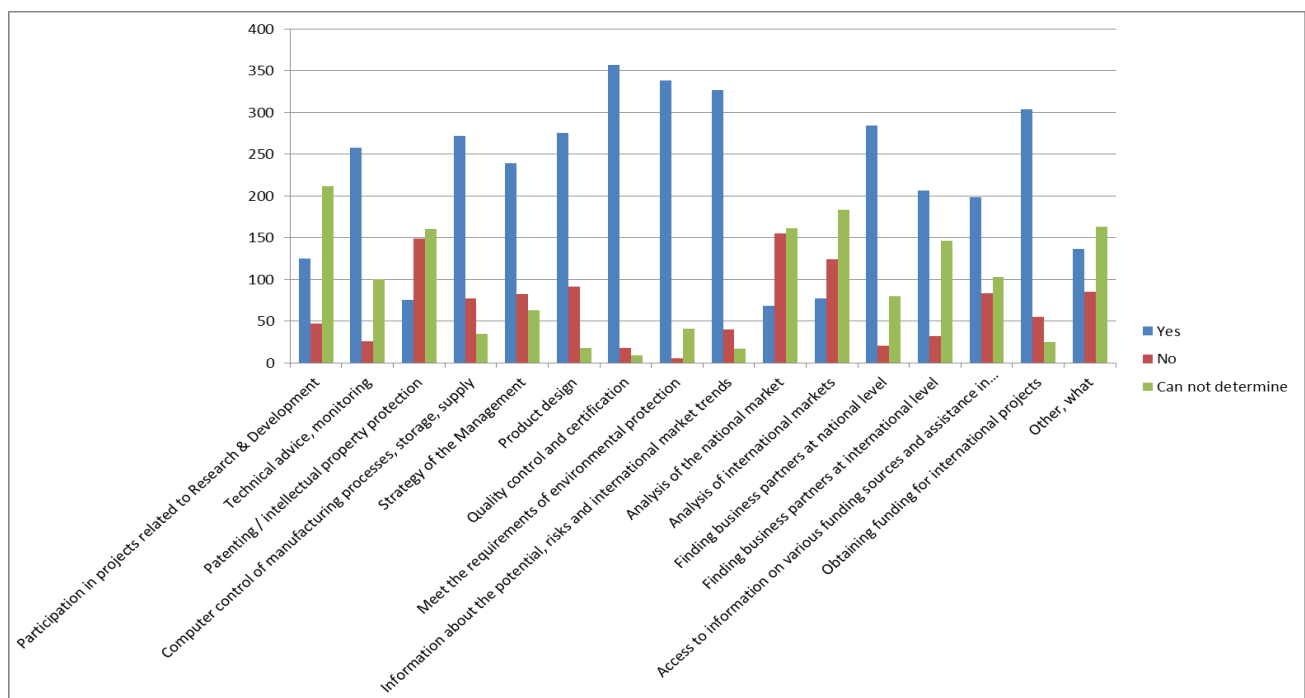


Figure 1. Types of assistance needed to boost growth and SME development

Between 62-73% of business managers are interested in benefiting from technical consulting services, to develop a computerized control of production, storage and supply processes, to adopt the most optimal managerial strategies and to improve product design. Over 36% of SMEs have benefited from analyzes of national and international markets and have been helped to find business partners at national and international level. At the same time, almost 51.5% of respondents had access to information about the potential, risks and trends of the international market (see Figure 2). Over 168 small businesses out of the 324 researched have participated in research and development projects and have supported patenting and intellectual property protection. Almost 22 small businesses did not need technical advice and monitoring and

236 did not have access to information resulting from analyzes of national and international markets. As a result of the cooperation with the Agency for Small and Medium Enterprises and Cooperatives (ASMEC), more than 105 SMEs have access to the results of scientific research, which have resulted in patents and helped promote new services and products for domestic and international markets (see Figure 2).

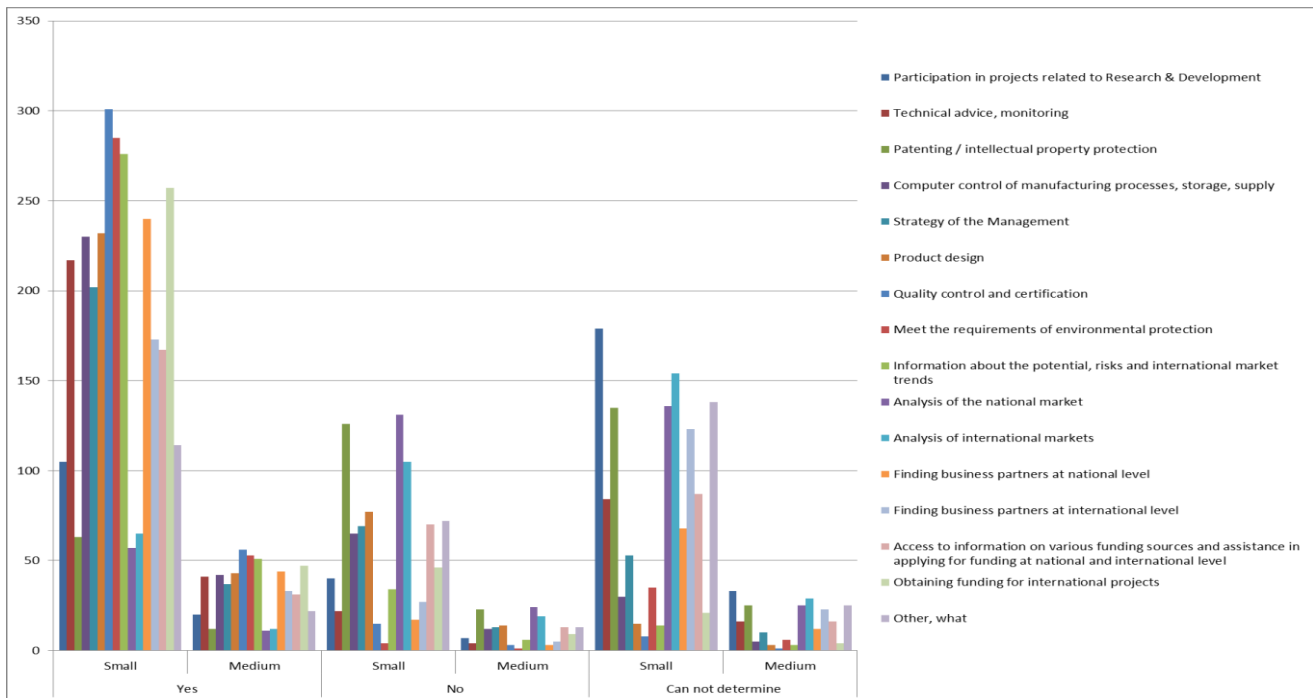


Figure 2. Types of assistance needed to develop small and medium-sized enterprises

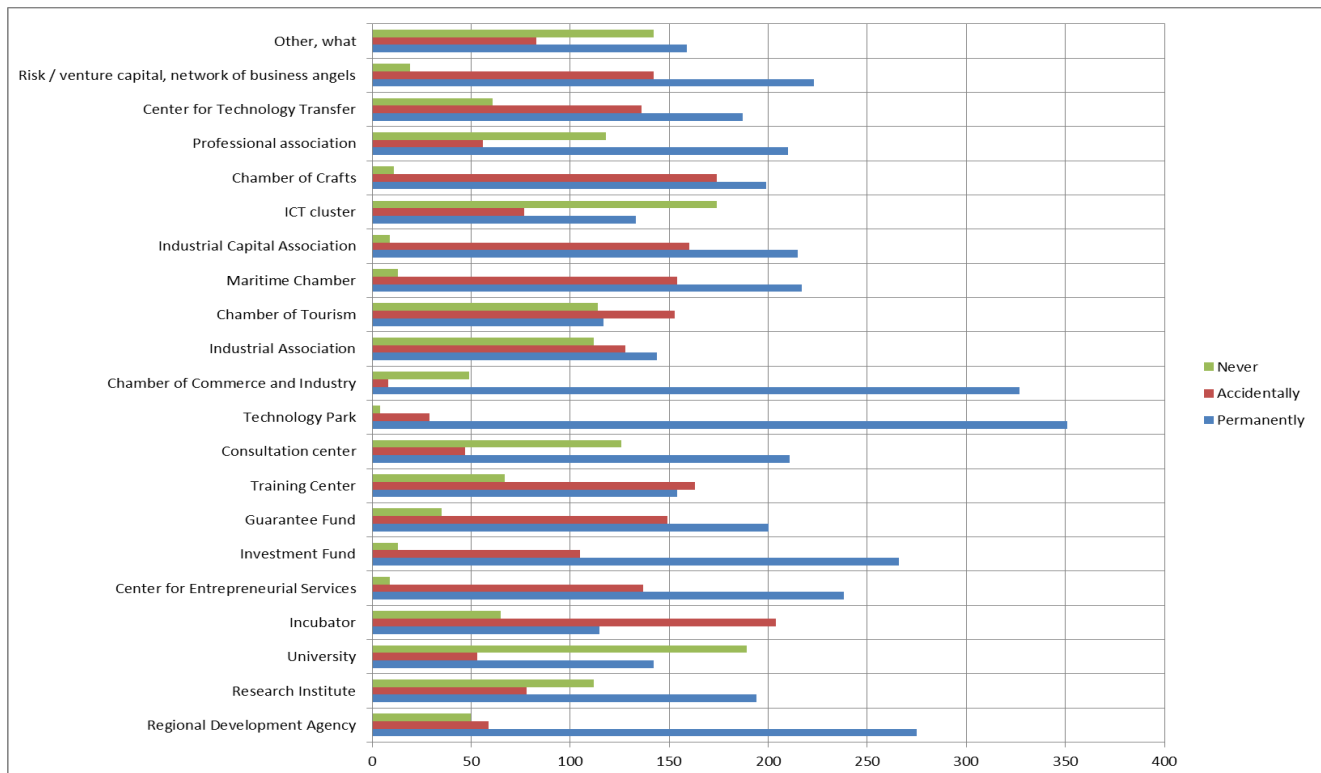


Figure 3. List of specialist institutions collaborating with small and medium enterprises

42 of the medium-sized enterprises surveyed have received technical advice, monitoring and computerized control for production, storage and supply processes from specialized institutions. In more than 54 medium-sized enterprises of the 60

researched, standards and strategies have been implemented regarding quality control and certification, environmental protection and risk management. 9 medium-sized managers said they didn't receive funding for international projects. Over 50% of the medium-sized enterprises analyzed have not implemented R & D projects or programs that involve the protection of intellectual property. The second theme was related to the identification of institutions collaborating with enterprises in order to support the business and the development of entrepreneurship in Romania. More than 85.2% of the enterprises analyzed have kept a permanent connection with the Chamber of Commerce and Industry of Romania. This confirms the high level of involvement of CCIR in the development of the Romanian business environment, offering numerous services to enterprises such as: international promotion, national business information system or access to studies, statistics and analyzes. More than 70% of enterprises have collaborated with the Regional Development Agency and the Investment Fund (see Figure 3).

More than 50% of the surveyed managers said they had collaborations or developed partnerships with various institutions such as: Research Institute (50%), Guarantee Fund (52%), Consultation center (54.9%), Maritime Chamber (56.5%), Industrial Capital Association (37.5%), Chamber of Crafts (51.8%), Professional association (54.7%) and Risk/venture capital, network and business angels (58.1%), to implement programs needed to develop their own business. Accidentally, most partnerships were completed with Incubators (53%). More than 49% of the companies surveyed didn't collaborate with Universities and over 29% of them didn't need to enter into partnerships with the Research Institutes (see Figure 3).

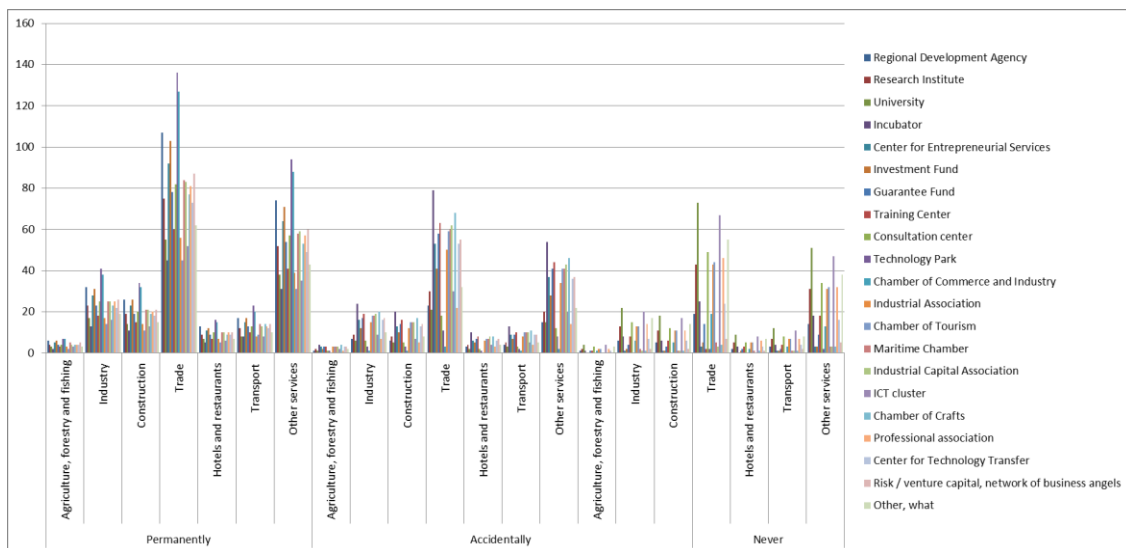


Figure 4. List of institutions collaborated according to the business areas of the enterprises

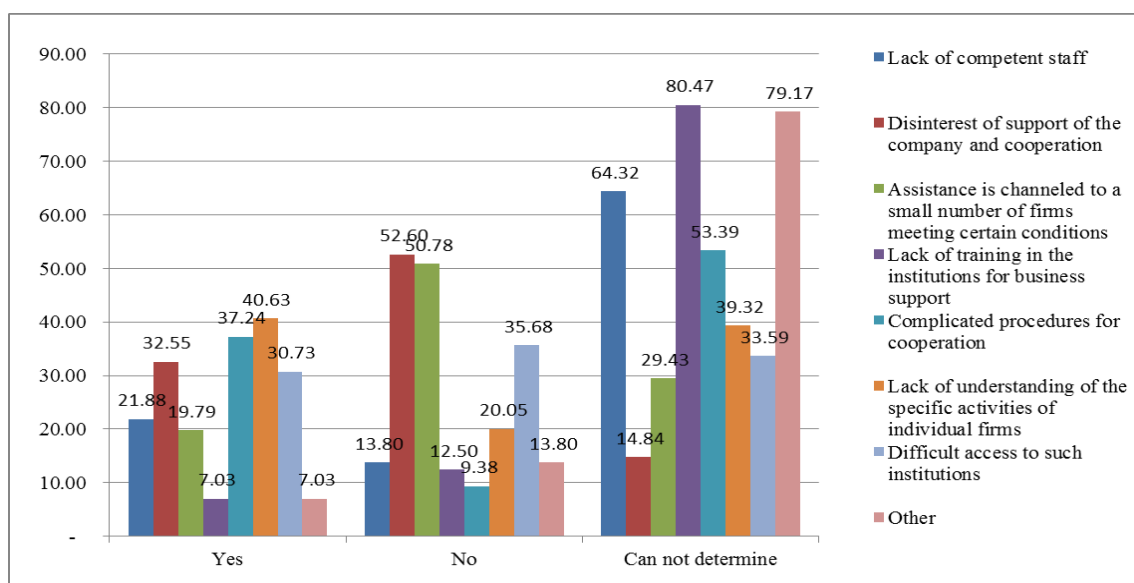


Figure 5. Problems arising in cooperation with organizations supporting business development and entrepreneurship

Most business collaborations have been conducted between enterprises in the trade, services, industry and construction sectors and specialization institutions such as: Technology Park, Chamber of Commerce and Industry and Regional Development Agency. Enterprises in the commerce sector have been involved in accidental partnerships with the Center for Entrepreneurial Services, the Investment Fund, the Consultation and Training Center. Businesses carrying out agricultural and transport activities were least interested in concluding partnerships with other institutions (see Figure 4). The third theme was related to the knowledge of the problems faced by the enterprises in the process of collaboration with the institutions that support the development of the SMEs.

40.63% of the respondents encountered problems with the institutions related to the lack of understanding of the specific activities of enterprises and 37.24% suffered complicated procedures in the cooperation process. Nearly 52.60% of managers said they had benefited from support in cooperation process with other specialized institutions. At the same time, 50.78% of the enterprises have benefited from support in the process of cooperation with other specialized institutions, when they were in the condition of meeting the conditions they demanded. Most managers were unable to determine exactly what were the issues in the process of collaboration with other institutions. But they have made reference to the fact that institutions are confronted with a lack of staff or with inadequately prepared staff to provide advice and training to support business affairs (see Figure 5).

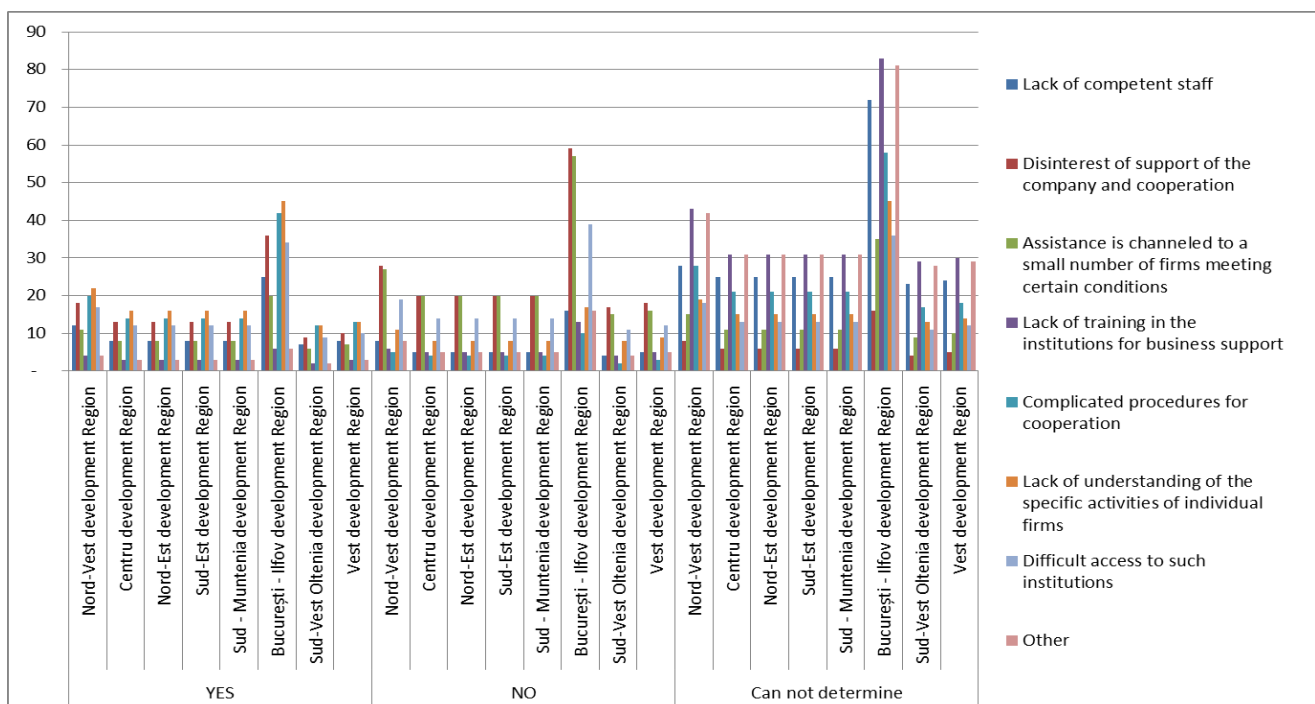


Figure 6. Problems encountered in cooperation with the institutions by region development

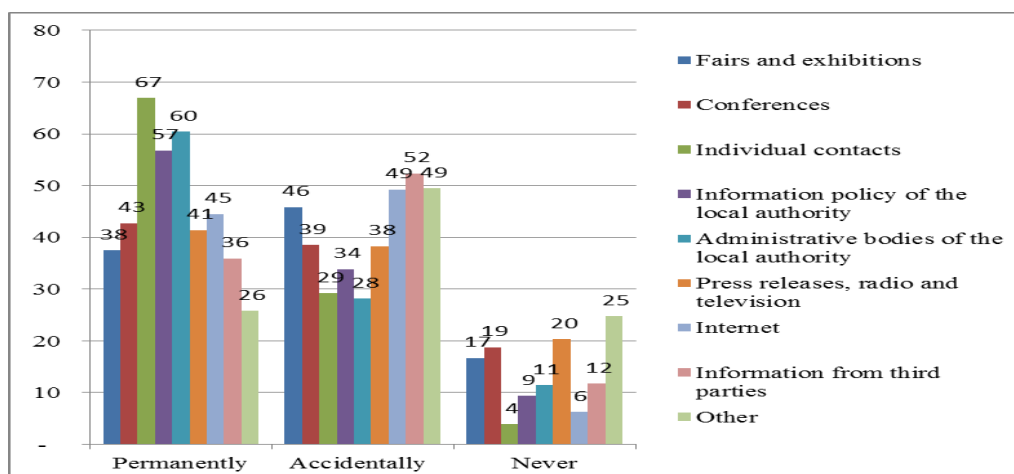


Figure 7. Principal means of receiving information from businesses and institutions supporting entrepreneurship



More than 28% of the businesses located in Bucharest Ilfov region faced problems such as lack of competent staff and a low level of understanding for specific business activities. The 40% of the enterprises in the North-West, Center, South-East and South Muntenia regions were discouraged in the collaboration process after meeting complicated cooperation procedures, disinterest from certain institutions, inadequately trained counselors or who don't sufficiently understand the specifics of the activities (see Figure 6). The fourth theme was related to the affection of business managers who received information from institutions that support business and entrepreneurship. Most of the surveyed managers received permanent information from the institutions that support businesses and entrepreneurship through individual contacts (67%), administrative bodies on the local authority (60%) and information policy of the local authority (57%). Accidentally, business managers received specialized information from third parties (52%), online publications or other sources (49%), (see Figure 7).

## 5. Conclusions

The results of quantitative research have highlighted the important contribution of business and entrepreneurship institutions to enterprise development and the construction of a sustainable economy. In order to contribute to the sustainable economic growth process, small and medium-sized businesses need to demonstrate their efficiency and increase their investment volume. This is possible only in the context of partnerships between collaborative institutions and enterprises. The study shows that 90% of business managers manifest openness to collaborate with specialized institutions. The most attractive types of assistance needed to boost the development of SMEs are: quality control and certification, compliance with environmental protection requirements and obtaining information about the potential, risks and trends of the international market.

Over 51.8% of small businesses are interested in partnerships or projects related to research and development, patenting or intellectual property protection, while 70% of medium-sized enterprises want to receive technical advice and computerized control of production, storage and supply. The first on the list of institutions cooperating with enterprises in order to support business and develop entrepreneurship in Romania are: the Chamber of Commerce and Industry of Romania, the Regional Development Agency, the Investment Fund, the Research Institute, the Guarantee Fund, the Consultation Center, the Chamber of Crafts and the Professional Association.

The most common problems encountered by small and medium-sized enterprises in the process of collaborating with specialized institutions are complicated co-operation procedures, lack of competent staff, disinterest in enterprise support, targeted assistance to some enterprises or inadequately prepared staff to provide counseling and training. Information needed to develop business affairs was provided by coordinating institutions through multiple means such as: through individual contacts, through the local authority's administrative bodies, through the local authority's information policy, through third party data, online publications accessed through the Internet or other sources.

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