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Preliminary insights into SMEs opportunities and vulnerabilities in the European context : a qualitative approach

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Preliminary Insights into SMEs Opportunities and Vulnerabilities in the European Context. A Qualitative Approach

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Abstract. *The current study aims to theoretically investigate the opportunities and vulnerabilities apposite for the small and medium-sized enterprises (SMEs), insisting on the internationalization conditions, and to empirically explore the European initiatives meant to support the SMEs in their various endeavors, from accessing relevant knowledge to deploying successful operations in foreign markets. To this end, a qualitative research was conducted through the case study method. Over 10 European initiatives were described and more than 20 relevant documents available on official European websites were analyzed. The underlying assumption for conducting this study resided in the fact that a better understanding of the European context describing SMEs performance would provide valuable insights to the actors interested in their future business activity, specifically in their cross-border projects and operations. Moreover, a refined outlook would enlarge their vision of the existing opportunities and thus catalyze the process of converting current challenges into positive results.*

Keywords: *small and medium-sized enterprises (SMEs); European Union; opportunity; vulnerability; internationalization.*

Introduction

Whether or not international actors (i.e., internationalizing or internationalized small and medium-sized enterprises) are causing severe changes nowadays in the worldwide business environment can no longer be minimized, thus putting forward a wide range of open questions. This reifies the rising importance of the European Union (EU) governments to act responsibly and proactively towards the small and medium-

sized enterprises (SMEs), through favorable social and economic measures, meant to support them in the endeavor to thrive beyond borders.

SMEs propensity towards sustainable partnerships could be facilitated through an easier access to resources, through a pertinent knowledge and definition of their vulnerabilities, through a raised awareness about the benefits that the public and private sectors could extract from a timely adaptation (Pauw & Chan, 2018). This goes beyond sectors and types of institutions and engenders positive impacts at multiple levels (Vătămănescu et al., 2014, 2016a, 2017; Vătămănescu, Alexandru & Andrei, 2015). The operative collaboration between different actors' ranges from institutional channels to specialized social / business networks (Vătămănescu, Alexandru & Gorgos, 2014; Vătămănescu et al., 2015, 2016b, c, 2017; Vătămănescu & Alexandru, 2018; Vătămănescu et al., 2018). Here, the international experience of SMEs has highlighted the need to sustain weak SMEs by maintaining the policy focus on leaving behind non-lasting firms, while supporting viable firms (Bergthaler et al., 2015).

The extension of a business abroad helps SMEs have international operations with the aim to grow at the European level, inside and outside its borders (EC, 2018a). The internationalization of the SMEs is vital for the economic growth of the EU, for innovation as for competitiveness, as well as for accessing new markets and business-friendly environments. The internationalization has benefits for global value chains and the SMEs impact upon them, creating more jobs and diminishing delivery costs (EC, 2018b). In order to help SMEs internationalize, the EC has had policy dialogues, bilateral and multilateral, with the expectancy of aligning the policy framework across European borders. In 2017, the workshop "8th EU-US-EU SME Best Practices Workshop in Wichita (USA)" was promoted by the EU to exchange expertise and to expand opportunities towards other markets. The percentage of the SMEs that export products or services is very small – around 26% in the EU and enterprises which export to other non-EU countries is even smaller (EC, 2018c). Via multifaceted instruments and mechanisms, the European Commission intends to aid enterprises to be prepared for competition, access foreign markets and develop businesses in non-European territories.

Progressively, the associated dynamics of SMEs internationalization sets itself up as an essential topic both in the political arena and research agenda of many scholars willing to properly depict the most relevant mechanisms and propelling factors towards successful internationalization. The companies which seek to engage in international entrepreneurial practices are steadily growing in number, while many existing companies are substantively shifting their focus from a local-based approach towards a global-centric outlook. It is hence critical to understand the state-of-the-art in terms of opportunities and constraints (vulnerabilities) featuring SMEs with a view to achieving a clear picture on the current phenomena. Moreover, nowadays, managers cannot limit themselves only to the present organizational issues and to the local demands. They are obliged to keep up with innovations in their area of interest, with the global trends in the market and with the development tendencies of their competitors, who activate internationally. In international enterprises, managers are trained in relation to the company's strategic aims through training programs in order to cement international competences (Vătămănescu, Alexandru & Gorgos, 2014; Vătămănescu, Alexandru & Andrei, 2015). In this line, globalization and

internationalization are assumed through multidisciplinary solutions adopted by managers, taking into account the implications of managerial decisions in relation to outer organizational settings.

Corroborating the aforementioned ideas, the present study aims to explore the configuration of various opportunities and vulnerabilities which describe the SMEs trajectories in the process of internationalization. In this front, a qualitative approach through case study was employed, the research attempts envisaging the general conditions for European SMEs internationalization in relation to the extant EU policies on the European market. To this end, the paper is structured as follows: firstly, the theoretical section approaches two main directions, namely, the opportunities and vulnerabilities of SMEs when going international; secondly, the methodological section describes the research design; thirdly, the empirical section brings to the fore the evidence derived from a case study on the European initiatives regarding SMEs.

Literature review: SMEs opportunities and vulnerabilities in international undertakings

At present, SMEs have become an important piece in the diagnosis of international relations; the desire to survive or to make progress derives from the exigence of the international conduct. The business environment has started to demand expeditious adaptive measurements in order to preserve competitiveness and sustainability (Hapenciuc et al., 2015; Păduraru et al., 2016; Soto-Acosta et al., 2016), to reduce costs and extend specialized markets (Cannon & Perreault, 1999; Vătămănescu et al., 2016c, 2017; Vătămănescu & Alexandru, 2018).

The global market plays an important role in the emergence and advance of business relations at the international level whereas it challenges enterprises to act adequately in the transnational arena. Looking at the extant literature review, it can be asserted that, due to today's broad array of incentives, the enterprises are somehow prone to approach and embrace internationalization (Cannon & Perreault, 1999; Harvie, 2008; Vătămănescu et al., 2014; Nicolescu & Nicolescu, 2016; Vătămănescu et al., 2017): the access to developed markets and to better resources; the advantages stemming from newly-explored markets; the reduction of production or distribution costs; the opportunity to follow competition; the avoidance of custom fees; international cooperation for obtaining competitive advantages, etc. Here, pursuant to Hilmersson and Papaioannou (2015), the greater the international experience of SMEs, the more systematically they will search and harness international opportunities.

Enterprises from developing countries learn from bigger firms – the so-called lead buyers - and acquire knowledge for marketing as functional upgrading and apply the learned perspectives to other sectors (Humphrey, 1995; Humphrey & Schmitz, 2002). Participating in global value chains provides opportunities for the SMEs to learn aspects of production, market access, and other specific activities (Navas-Aleman & Guerrero, 2016). Nonetheless, engaging in international networks is an incentive for fulfilling more services and acquiring new activities or partners.

These initiatives vary from an “opportunistic conduct” of the SMEs (Wyer & Smallbone, 1999) to the approach of Majocchi and Zuchella (2003), who insisted on the

importance of a regardful analysis of the new market's specific conditions. Thereby, Majocchi and Zuchella (2003) assert that SMEs should not be perceived as big companies' clones. They should primarily focus on similar or proximate markets, which allow them to have a better understanding and an efficient management of familiar conditions. Nevertheless, the managers of SMEs have to carefully administer all types of activities so as to overcome the vulnerabilities produced by the lack of resources (Majocchi & Zuchella, 2003; Harvie, 2008): i. major costs of internationalization (e.g., personnel costs, logistic, new locations fees and so on); ii. the exigence of a continuous professionalization (management as a profession, an actual science, not only the art to manage); iii. the need to control, choosing wisely the market (prior activities of research and understanding the market's distinctiveness); iv. policies and assets appliance (management has to show flexibility and adaptive capacity concerning marketing strategies, prices, advertising, and distribution); v. monitoring operational fluctuations (management has to monitor and evaluate international fluctuations in the first step of internationalization); vi. management concerns (management has to detain the capacity to react to unexpected situations and to square up to potential risk in a dynamic manner).

The adaptive capacity is the ability of the system to change to new conditions brought about by changing forces in the system (Wedawatta et al., 2011). While medium-sized firms try to adapt to new conditions and to leave behind non-profitable operations, internal reorganization, and externalization, product differentiation, small firms are improving products and collaborations with entrepreneurs, networking, services in conditions of fewer resources (Giannacourou et al., 2015; Pauw & Chan, 2018). SMEs have the flexibility of products and few points of access as specificities; concurrently fast reaction and pragmatic value assessment emerge as requirements (Kadlec & Mareš, 2003). Garagorri (2016) sustains that SMEs react faster than bigger companies and are more flexible, but most of them do not detain effective management systems and tools to maintain sustainability. Related to effective management, the concept of sustainable entrepreneurship derives from sustainable development and balances the social, economic and environmental objectives of the enterprise (Crals & Vereeck, 2005; Hapenciuc et al., 2015; Vătămănescu et al., 2016d). At this level, the lack of experience of the management team is a serious risk to the international focus and action, often resulting in its temptation to stay local, on the domestic ground and not internationalize fast, laying emphasis on the perceived risk (Dimitratos et al., 2016). This latter vulnerability may also determine risks associated with economic and financial subsidence, depending on various factors (Bergthaler et al., 2015; Garagorri, 2016).

In many cases, SMEs strive to manage similar problems as those of bigger enterprises although they do not have the same resources. Hereto, Hampton and Rowell (2010, 2013) have analyzed the basis of small businesses internationalization, emphasizing that these have to deal with opportunities in a constant way and to solve risks in a competitive international business environment. In this line of argumentation, Senik et al. (2014, pp.35-36) propose a different approach of SMEs constraints, encountered especially in developing countries: 1. lack of resources (qualified human resources, competence, and knowledge necessary for research and development of new markets, important instruments for gaining new clients); 2. financial constraints (the impossibility to acquire new technology, insufficient funds, the difficulty in obtaining

loans and the long latency for receiving loans); 3. managers' attitudes (negative attitudes generated by potential risks, inherent and extrinsic incentives, lack of enthusiasm regarding new challenges, self-assurance in relation to actual facts); 4. enterprises' limited capacity (old products, less quality, old technology, the inexistence of research-development departments so as to innovate products and services); 5. political meddling (commercial barriers imposed by countries, non-incentive laws, hard standardizing industries); 6. managerial incompetence (the difficulty in gaining credibility, the lack of managerial abilities in an international context, human resources mobility, including managerial sector); 7. mental distance (cultural, linguistic, social and value-bond differences); 8. political differences (between the parent country and targeted countries, precarious information from the foreign authorities, major political change, bureaucracy); 9. parallel management of local and international operations (paradigm changes and thinking models adjustments, the need to gain information and knowledge, dynamic actions); 10. the competition with other enterprises (the requirement to innovate, to create products and competitive services, to position itself in relation to competition).

In this vein, Bergthaler et al. (2015) posit that, in Western European countries, the greatest concerns of SMEs refer to high competition and the lack of customer demand while the least potential risks are corruption and malicious damage. Concurrently, the lack of customers has been reported as an important problem in the European Union's SMEs dynamics. For small enterprises, the second-placed problem was reported to be the access to finance factor, while medium-sized enterprises reported difficulty in finding high-quality labor force (including managers) and regarding competition (Karadag, 2016). As illustrated by Karadag (2016), small and medium-sized enterprises in the European Union are dealing with a test of survival, mainly due to credit conditions and the difficulties in finding skilled employees and new customers. The rules are usually established by the large customers: the contract details are determined by their position on the market and they prefer to order large quantities of products and organize promotions for their products (Vlajic, 2015). As Vlajic (2015) sustains, the customers' complaints are registered and claims are also specified to suppliers (e.g. delivered quantity less than ordered, delayed delivery, etc.). Therefore, the vulnerability comes from the imposed rules that affect directly the producer or the supplier, not the trader. For example, the purchasing behavior is currently determined by the lifestyle and media publicity about products which are bad for health, and for this reason, customers' preferences have become prior for managers' actions (Giannacourou, 2015). The programs of skills development have a secondary role in economic upgrading, with a greater role in revealing opportunities for social upgrading for the SMEs and their workers (Navas-Aleman & Guerrero, 2016).

Synthesizing the vulnerabilities of the SMEs, Le Ray (2006) describes three types of risks: financial (strategic, operational), need for resources (human, technological) and organizational approaches (environmental, management, projects). All these risks are determined by the level of debts, partnerships, and strategic orientation of the enterprise. In the EU context, partnerships can increase the legitimacy of intervention for stakeholders by forming target groups which contribute to the implementation of projects in order to adapt to new conditions on the market (Pauw & Chan, 2018). Due to the small size of some businesses, the level of development of the technological area might be costly for these enterprises (Vlajic, 2015) and remain unpractical.

Willing to depict the logic and the characteristics of SMEs cross-border processes, Senik et al. (2014, p.38) drew a descriptive outline which presents the main factors defining SMEs internationalization in emerging economies (see figure 1).

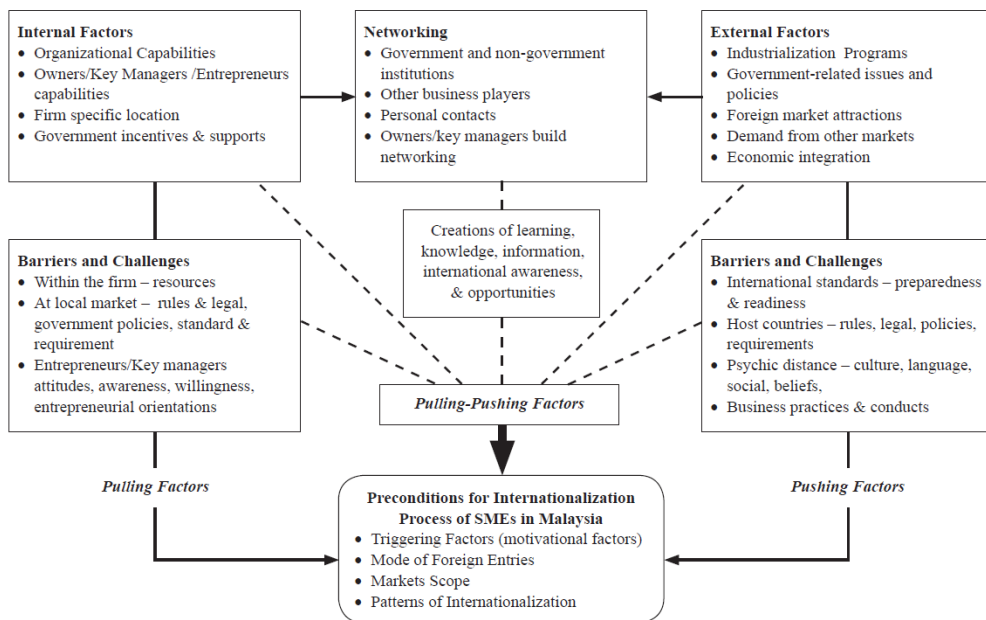


Figure 1. SMEs internationalization in Emerging Economies
(Senik et al., 2014, p.38)

Generally speaking, SMEs also face obstacles when dealing with the global market even if international markets offer substantial opportunities. The interference with issues as compliance with foreign laws, mandatory rules of contract law, customs regulations, technical standards, and protecting intellectual or industrial property rights have a greater impact upon the companies' activities and services and claims for finding strategies to surpass them through a better understanding. When looking for external barriers, the most mentioned were: the lack of capital, inadequate information, and the lack of public support, difficulties with paper formalities, unknown laws, unexpected tariffs, and cultural differences (EC, 2014). The work of the SMEs with foreign partners is sometimes hindered by not enough working capital; the difficulty of identifying foreign business and potential customers; not enough information to help them analyze markets; lack of managerial time (EC, 2014).

To overcome extant and potential inconveniences, the European Union has developed initiatives, including a policy platform under its Department on Enterprise and Industry, outlining a set of recommendations included in Small Business Act 2008. Resolving the problem of the SMEs loans in the European Union would cover a large spectrum of reforms for encouraging businesses to accelerate the process of restructuring (Bergthaler et al., 2015). In terms of governmental reforms, improvements in the bureaucratic area were found to be effective and the

facilitation for new registration were drivers of building new firms (Klapper & Love, 2011; Smallbone et al., 2013; Das & Das, 2014). The simple awareness concerning the existent facilities and risks of a certain business is a step towards finding elements that can surpass risks with a specific mode of operation (Saoudi & Foliard, 2017). Nevertheless, regulatory issues sometimes form obstacles because tax disincentives, debt forgiveness taxed as income may also be an obstacle, as well as overprotective labor rules might prevent meaningful restructuring. Governments may also face legal uncertainty to support debtors under EU state aid rules. Nevertheless, the European Commission recommendations have been given for enforcement settings in the EU that could be applied in all EU countries for obtaining a legal harmonization for the SMEs insolvency problems and for platform coordination (Bergthaler et al., 2015).

Methodology

The purpose of the current research is to investigate the main European initiatives regarding SMEs with a special focus on the ones which address the existent vulnerabilities and opportunities for business development, including the international activity within the European Union and beyond.

The employed method - the case study - is a qualitative one. A case study research generates a multifaced understanding of a problem in its real context (Zainal, 2007; Crowe et al., 2011; Harrison et al., 2017), combining existing theories with empirical insights (Yin, 1994), capturing new layers of reality (Eisenhardt & Graebner, 2007) in a more complex way. Allowing a higher degree of flexibility and demonstrating a wider diversity than other methods (Herried, 2005; Vissak, 2010; Hyett et al., 2014; Harrison et al., 2017), the case study reveals how a context influences a phenomenon (Baxter & Jack, 2008). Stake (2006) presents a constructivist orientation of the case study, bringing the interpretative role of the researcher at the basis of the discovery for generating knowledge from the research. Through an interpretive case study, the aim is to interpret the obtained data by developing conceptual categories (McDonough & McDonough, 1997), discovering new information and providing better insights into the subjects of interest.

Although some authors (Flyvbjerg, 2006; Zainal, 2007; Vissak, 2010; Starman, 2013) believe that case study results cannot be generalized, others (Yin, 1994; McLeod, 2010; Widdowson, 2011) sustain that the results of a case study can be easily extrapolated to another case when similar conditions are detected. For verifying a case study, it can be followed up by other case studies so as to show the accuracy of the first research arguments and findings (Flyvbjerg, 2006). Contrary to quantitative analysis, the case study observes data at a micro level (Zainal, 2007), developing scientific thinking (Çakmak & Akgün, 2018). Nevertheless, statistical generalization is not the aim of the case study research (Darke et al., 1998).

The scope of the units of analysis is acceptable, over 20 online publications/documents being investigated for gathering data on the state-of-the-art in the field of reference. A single case design has been selected for this paper (Welch et al., 2011), respectively the European initiatives focusing on SMEs, generating new ways of understanding relevant practices (Miles, 2015). Here, in view of developing an elaborate understanding of the

case, the approach involved collecting data from multiple sources of information from European official websites.

The outcome of the exploratory research was to identify key issues of the vexed problem (Creswell, 2003; Yin, 2003; Zainal, 2007; Harrison et al., 2017), critically exploring existing theories and researched area (Vissak, 2010).

When discussing the process of internationalization, conducting a case study becomes purposive because of its capacity to show the recurrent challenges met by SMEs in specific contexts, thus conducing to the exploration of a wide array of opportunities and vulnerabilities (Vissak, 2010; Giannacourou et al., 2015).

Case study: the state-of-the-art of European initiatives in support of SMEs

When analyzing SMEs, the emphasis is laid on issues concerning the European and national policies, governmental strategies for supporting SMEs, research, and innovation, educational programs in the sense of promoting entrepreneurial change and spirit, well-paid workforce and, essentially, on the challenges met by SMEs in achieving performance. For the development of European SMEs, the European Commission provides network support so as to increase competitiveness through internationalization, improve their perception on access to funds, make them become more active in the Single market and internationally, turn resource challenges into opportunities for protecting the environment (Green Action Plan), and involve companies in the policy-making process by responding to the EC proposals (EC, 2018d).

However, in the EU, online information is not always available and even when it is available, shortcomings were observed: lack of online information on various requirements of businesses, on various requirements of authorities; different requirements apply to foreign businesses, but no online information about these differences is available and there is an unavailability of information in English; online submission procedures are not always available (EC, 2017a). Advice, submission requirements, cross-border business requirements and the taxes for administrative procedures are important issues for SMEs and sometimes they transform themselves into prominent challenges.

Given these aspects, a synthesis of the prerequisites for information and documentation, namely of the European policies, programs, mechanisms and initiatives regarding the development of the European SMEs (including the internationalization opportunities) may provide a starting point to the interested actors.

SMEs opportunities through the lens of The Small Business Act and the New SME Policy

The “Small Business Act” for Europe is the European Commission document which sets out the framework for the support given to the SMEs since 2008, the key principle being “think small first”. The main priorities of this SMEs framework for EU policy

focus on promoting entrepreneurship, ease access to finance, less regulatory impediments, access to market and to prospective internationalization (EC, 2018e).

The modernization of the European legislation has brought forward better regulation and new measures for encouraging the SMEs development. In 2008, the European Council sustained an initiative for strengthening SMEs growth in the EU and ensured the adoption of the “Small Business Act”, thus helping the SMEs to solve the remaining problems that impede them from developing. One of the aims of the EU has been to turn principles into action, creating an environment where family businesses and entrepreneurship would be successful (EC, 2018e). The EU has launched programs for organizing campaigns for SMEs, programs with the aim to encourage the exchange of experience and promote entrepreneurship schemes (i.e., female business launching) in the business area. The EU invited the member states to support SMEs through stimulant programs for young people, teacher training, systematic strategies through cooperation, and support for business transfers and entrepreneurs.

Another principle mentioned in the “Small Business Act” refers to giving another chance to businesses that faced bankruptcy. The specific legislation, created for SMEs, has to first take into account the characteristics of these firms and to design rules in order to simplify their development. The participation of the SMEs in public procurement procedures has been another recommendation for the member states of the EU, encouraging contracting national authorities to subdivide contracts into lots for offering more opportunities to SMEs. Another important principle describes the promotion of innovation and upgrading skills for the SMEs employees. At the same time, the EU develops a cluster strategy for facilitating cluster’s access to new markets and upholds participation in knowledge transfer. Concurrently, the member states were asked to encourage SMEs efforts to internationalize, to promote national research programs and ensure in their implementation the Cohesion Policy program as an easy access for SMEs.

The “Small Business Act” insists upon protecting the environment through promoting that the EU and the member states should enable SMEs to turn environmental difficulties into opportunities. Climate change is a subject that cannot be avoided anymore, and, in this context, the SMEs have to adapt to new conditions and to product and demand for services and products which are in agreement with environmental measures. The “Small Business Act” is a document through which it has been required the political commitment of the Commission and the member states. Therefore, as a basis for a renewed commitment to SMEs, the Commission invited the European Council to accept and support the “Small Business Act” for Europe, containing 10 principles aiming at the adoption of the related legislative proposals.

A pivotal tool for the European Commission to monitor the countries’ progress in implementing the Small Business Act is the SME Performance Review. The Review consists of two parts: an annual report on European SMEs and country fact sheets. The European Small Business Act enables member states to improve some aspects of the national business environments and it is recognized as an important cooperation instrument (EC, 2017b). Important means for turning the priorities of the Small Business Act into practical applications are the Cohesion Policy programs and the European Agricultural Fund for Rural Development which ensure national and regional support.

The European Economic and Social Committee adopted a notice regarding SMEs promotion in Europe through a horizontal legislative approach. The Committee invited the EC to give a compulsory character to the “Small Business Act” principles (CNIPMMR, 2018), with the involvement of all European actors (EU institutions, member states, and companies’ associations). Alternatively, a better collaboration concerning European policies and the explanation of administrative procedures are necessary taking into account SMEs diversity and the need for a solid regulation for institutions that should help the SMEs development.

In Romania, the Law no. 175/2006 (modifying Law no. 346/2004 concerning the creation and development of the SMEs) is part of the legislative ground governing the activities of the Romanian SMEs and it has been challenged to adapt its provisions to the new requirements of the European legislation and international market, and, subsequently, to the principles of the Small Business Act for Europe.

In 2014, the European Commission (EC) launched a public consultation to see how the Small Business Act (SBA) for Europe should be revised to continue a strong European policy in support of the SMEs and entrepreneurs for the future (EC, 2015). The consultation document and the online questionnaire were based on the preparatory work carried out by the Network of SME Envoys and took into account the policy debate on the future policy held at the Competitiveness Council of Ministers in 2013. A novel priority of the initiative of the SMEs policy change was the shortage of skilled workers, an important issue brought into the discussion and for consultation. The Enterprise Europe Network (EEN) and social media were the main communication channels used by the Commission to promote the public consultation alongside the events organized by stakeholder associations (EC, 2015). The importance of a Commission initiative regarding employment, education, and organizational dimensions with the aim to surpass the shortage of skilled labor was appreciated positively by the respondents, showing that there is a need for training programs and the creation of skilled groups in the European SMEs.

The Erasmus program for young entrepreneurs

The “Erasmus program for young entrepreneurs” is a European opportunity for young people who are interested in creating viable businesses, with a pertinent plan and able to support some costs that can be put together to finance the desired business. If a manager is interested in extending his business in another country, the EU offers guidance for growing internationally and finding an international partner, as it can be acknowledged from the official website of the EU. The opportunities of international collaboration among future partners, given by European programs can be found depending on the targeted profile: business offer/request, research, and development area or technology offer/request. “Enterprise Europe Network” presents the possibility to find a local network that can give support to all quests (EC, 2018f), presenting for Romania a number of 17 local edifices able to help SMEs.

“Erasmus for young entrepreneurs” encourages the exchange of management experience between entrepreneurs from participating countries, being implemented by a stay (with duration of 1-6 months) of the entrepreneur with an experienced entrepreneur from an SME in another country (EC, 2017b). This is a chance for the

new entrepreneur to acquire necessary skills for running a small enterprise and, on the other side, the experienced entrepreneur benefits from the opportunity to cooperate and explore new markets. At present, the program has local contact points in 30 participating countries (member states and COSME participating countries), as the official website states. The main areas available for “Erasmus for young entrepreneurs” are marketing, customer relations, business finance, and financial accounting, with impact on self-confidence and skills, cross-border collaboration, business referrals, insights into organizational settings, improving language skills and building strong relations in another business environment (EC, 2018g). In exchange, the host entrepreneur also has benefited from his experience: dealing with innovative views, being a mentor, a possibility to expand activities, interaction, mutual consulting and opportunities to contribute to specialized knowledge (EC, 2018g).

The EC takes action for promoting a business-friendly environment through organizing different events and sharing best practices among European entrepreneurs. According to the official website, the EC promotes entrepreneurship by coordinating a pan-European campaign, which is called “The European SME Week”, offering information and support, and encouraging persons to start their own business. Another project with the aim of promoting SMEs entrepreneurship is “The European Enterprise Promotion Awards” where the organizations that support SMEs are rewarded (EC, 2018h).

A great opportunity for extending knowledge is the event proposed for 2019 when the European Commission will organize for the third time the conference “EU Industry Days” on 5-6 February, among the guests being stakeholders, political key factors and experts from different industrial sectors (EC, 2018i). Industrial challenges and EU various programs are at the basis of the future conference, as well as the themes of innovation, digitalization and industry, globalization and sustainability.

The European Investment Bank and the European Investment Fund

The European Investment Bank (EIB) supports SMEs access to finance (EIB, 2018) whereas they represent 99% of businesses in the EU, recognized as important drivers of growth. As the official site of EIB states, in 2017, a total of 285.800 companies were supported, 3.9 million persons were employed by these SMEs. The development of new partnerships and the promotion of new products are facilities of the EIB group, creating an open area for the SMEs financing. The EIB has collaborations with financial intermediaries that offer financial products targeting SMEs and they accentuate their proposals on local knowledge, proximity, and expertise.

The operations driven by the EIB are in the member states and in more than 140 countries, supporting the internationalization of EU businesses in different ways, with emphasis on 1. financing of skills and innovation within the EU for more competitiveness; 2. support for cross-border investments; 3. companies participation in projects as suppliers/contractors; 4. support to working capital facilities in favor of SMEs; 5. export credit facilities supporting the internationalization of European SMEs (EC, 2017b).

In 2018, the EC and the European Investment Fund have launched a Venture Capital Funds-of-Funds program (Venture EU) to boost investment in innovative companies

across Europe (EC, 2018j). It is considered that the base of a functioning Capital Market is the venture capital, but in Europe, venture funds are too low compared to the United States of America. The program Venture EU was meant as a source of financing, giving companies a solid opportunity to innovation. These funds would help finance SMEs from varied fields such as information and communication technologies, digital, medical technologies, resource and energy efficiency (EC, 2018j). The European Commission has been also exploring another European Scale-Up Action for Risk Capital (ESCALAR) to enable capital funds in order to improve investment capacity.

In terms of financial opportunities, the most relevant sources of external financing in the European Union are line credits, leasing, hire purchasing, bank loans, and trade credit. In 2017, 29% of the European SMEs had applied for credit lines, bank overdraft or credit card overdraft and 75% of these applications were successful (Kwaak et al., 2017). Around 25% of SMEs in Belgium and France used bank loans in 2017, 20% in Spain, Poland and Slovenia; in contrast, in Romania, less than 10% of the SMEs used this type of financing (Kwaak et al., 2017). The proportion of the SMEs applying for bank loans in Romania was not a remarkable one by any means.

The Enterprise Europe Network

The “Enterprise Europe Network” assists companies in finding the proper international partner to expand their businesses with reach to access new markets, distribute products, find the right technology for the business or cooperate in the development and research area (EC, 2018k). The following steps are specific at this level: to identify the network local point from the member state, obtain advice for connecting the needs of the business with the right partner, getting in touch with experts and participate in international trade missions, conferences, workshops, examine current opportunities and keep in touch by e-mail, and finally, obtain support from the network for managing the partnership process. The collaboration between a firm and the “Enterprise Europe Network” has, as a result, the chance to increase the competitiveness of the business and to develop easier at the international level. The official website of the EC presents the services offered by the “Enterprise Europe Network”, which integrate: 1. cooperation in the sense of services to develop international and inside the EU commercial cooperation between the SMEs; 2. innovation and exchange of knowledge and technology, providing services to help SMEs in their regions for countries which participate in the Horizon 2020 program, and also assistance for applying for risk finance under EU designs; 3. internationalization – helping firms to find opportunities for expanding their businesses through matchmaking services with the aid of Business Cooperation Centers; 4. advice and information – even on EU legislation for obtaining benefits in the single market; 5. feedback - from SMEs to the EC to link future legislation with the companies’ requirements (EC, 2017b). Even though most of the “Europe Enterprise Network” services are tailored towards the growth of SMEs in the European Union and permitting them to apply EU legislation for their development, funding opportunities and EU programs, there are also services for entering other country’s markets (EC, 2013).

Horizon 2020 and COSME

The European Commission offers a variety of online services specifically focused on innovation. Horizon 2020, the EU program for research and innovation running from 2014 until 2020 with a budget of nearly € 80 billion, provides funding for every stage of the innovation process from frontier science to close-to-market innovation.

The Horizon 2020 program (EC, 2018l) includes complex issues, as follows: technologies and innovations that involve ICT, advanced materials, manufacturing, processing; access to equity finance; specialized support for individual business, targeting those with internationalization potential; public or private partnerships in areas such as electronics, medicine or greener aircraft technology; a different approach for issues with a direct impact upon society: health, demographic change and well-being; food security, sustainable agriculture and forestry; climate action, environment; innovative and reflective societies; a consolidation of the European Research Area and of the European Institute of Innovation and Technology. Horizon 2020 ensures that partners have access to resources wherever they are located, that they overtop societal challenges and that participants in global value chains can access emerging markets. Horizon 2020 is a tool used to internationalize by partnering with non-European companies to activate research and innovation (EC, 2017b).

In 2018, the edition of European Innovation Scoreboard shows that the innovation leader is Sweden, but there is a positive trend in the majority of the member states – most notably in the Netherlands, Spain, and Malta. This trend also results from the Commission's Renewed Agenda for Research and Innovation to contribute to Europe's global leadership in innovation, with a concerted action from the public institutions and private actors (EC, 2018m). Romania is part of the group of states that have had a low performance, below 50% of the European average – being a modest innovator – (EC, 2018n).

For improving the competitiveness of businesses, there has been launched a program for EU actions - COSME - with a focus on small and medium-sized enterprises. With a 2.3 billion euro budget for 2014-2020, COSME (Competitiveness of Enterprises and Small and Medium-sized Enterprises) contributes to the European Commission's priority to create more growth, more jobs and to supply the gap in investment in the European Union (EC, 2017c). The legal base of the COSME program is Regulation (EU) No. 1287/2013, which describes the interim evaluation as an instrument used to inform the European Parliament and the Council, member states, other partners about the progress towards the achievement of the objectives, effectiveness, the importance of measures, the use of resources, as well as the EU added value (EC, 2017c).

As it is stated in the COSME regulation, the program has two general objectives: firstly, to enforce the competitiveness and sustainability of the European Union's enterprises, in particular of the SMEs and secondly, to encourage entrepreneurial culture and promote the SMEs. Nonetheless, the regulation describes four specific objectives: to improve access to finance for the SMEs; to improve access to markets, particularly inside the Union but also at a global level, mainly through the "Enterprise Europe Network"; to improve conditions for the competitiveness and sustainability of the EU enterprises, particularly SMEs, and to promote entrepreneurship and entrepreneurial culture (ibidem).

The Cluster internationalization program for SMEs (2014-2020) (EC, 2018o) is a program of 19 million euro, developed under COSME program, with the aim to sustain the cluster internationalization in a strategic way at the European level so as to face global competition. The program has two main directions: the “Cluster Go International” action to encourage pan-European clusters join one another’s strategies, develop them into a common one and establish common goals towards specific third markets, and the “European Cluster Collaboration Platform (ECCP)” which brings contributions to the encouragement to connect the cluster community, to organize cluster events, and to facilitate the European SMEs integration into global value chains.

Clusters, among export consortia and business networks, are areas that offer the possibility for the SMEs to gain a better international perspective. For instance, studies have found that new SMEs which develop niche products and services are usually active from their beginnings in international markets and become instantly members of a cluster (EC, 2014). The European Commission has prepared guidebooks for the SMEs in order to explain better the implementation of best practices and the projects and processes that can be used as benefits for these companies and to raise awareness of the EU actions (EC, 2018p).

Conclusions

The evidence brought to the fore by the current study indicate that European SMEs are faced with significant challenges in their various endeavors and, at the same time, that the European Commission has consistently acted towards supporting these businesses to grow and expand internationally via European initiatives meant to enforce their development. Using a case study method, several major European initiatives were described, laying emphasis on formal pathways accessible to SMEs.

Building on the specific needs and vulnerabilities encountered by the European SMEs, especially in terms of information and documentation, different specialized EU institutions have played an active role in offering easier access to relevant information regarding legislation and programs, financing options, the development of human capital, the improvement of management styles, the understanding of mental and environmental differences, of the prerequisites for innovation and competitiveness. By acquiring proper knowledge at these levels, SMEs would benefit from higher chances to adapt to new market conditions, to successfully enter foreign markets and thus be competitive. Acknowledging and further dealing with current vulnerabilities would provide SMEs with the capacity to manage businesses which are exposed to contextual factors liable to affect them to different extents. An adequate identification of the opportunities and vulnerabilities are decisive factors for establishing SMEs performance in international settings.

Given the fact that the present paper focused on the European initiatives addressing SMEs support, future studies revolving around the Romanian undertakings in this sense would round off the provided framework. Correlating both perspectives would provide a clear picture of the challenges met by Romanian SMEs as determined by the national context.

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