

WC-BEM 2012

SMEs' Public Involvement in the Regional Sustainable Development

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Abstract

The paper presents the results of an analysis concerning the contribution of the SMEs in Romania to the sustainable growth. Beside the desk research, the analysis relies on a survey carried out within the framework of a Romanian research project, related to the citizens' opinions concerning the main regional growth drivers. In addition, the paper emphasizes the need of a pro-active involvement of the SMEs in the public life, according to their increasing role, in order to play a major part in the strategy design and decision making processes related to the regional sustainable development.

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Keywords: sustainable regional development, digital business ecosystems, participatory decision making processes

1. Introduction

The increasing role of the SMEs in the European socio-economic development has been demonstrated by concrete data and facts. The paper presents the economic and social contribution of the SMEs in the EU, emphasising also the Romanian specific situation. Beside the statistical data analysis, the study presents the SMEs' role in the regional/national and European development and in the recovery process after the financial crisis. In addition, the citizens' opinions have been analysed, demonstrating the convergence between the citizens' views and the quantitative and qualitative analysis based on statistical data analysis. A gap has been noticed between the socio-economic part played by the SMEs and their public voice. Some solutions have been suggested for increasing the SMEs' participation in the decision making processes, especially the use of new technologies in order to increase the interactions between the stakeholders and the public authorities.

2. General perspective on SMEs in the European space

The studies related to the contribution of the SMEs in the socio-economic landscape emphasized their major part played in generating added value, innovation and jobs. In 2010, the number of the SMEs was the same as in 2009, being approximately almost 20.8 million SMEs in the EU, the majority (92%) being represented by the micro-firms with less than 10 employees (Wymenga, P, 2011, p. 8). Even in the uncertain conditions of the financial crises (2010/2011), the European SMEs had a consistent contribution to the gross value added: „58.4 percent of the total Gross-value Added – GVA, produced by private businesses in the EU in 2010 was accounted for by SMEs” (ibidem).

In addition, the SMEs provide opportunities for employment, their contribution to the employment in the non-financial business economy is about 67% (De Kok, J., 2011, p. 5). The role of the SMEs for generating jobs is

illustrated in the figure 1. Despite the negative effects of the crisis, the number of the SMEs has increased substantially in 2011, being 22 million SMEs registered in EU, which represents 99% of business within the European space (European Commission, 2011a).

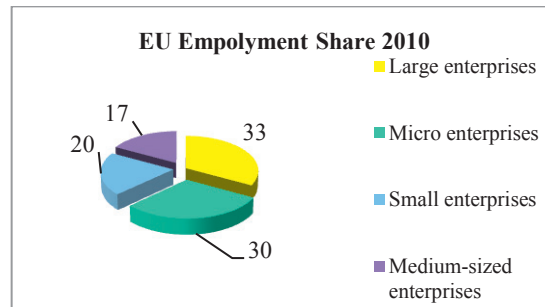


Figure 1. Contribution of the SMEs to employment

The European Commission has recognised the contribution of the SMEs for growth and jobs, and has designed a policy framework for this special socio-economic driver (Small Business Act - SBA, 2008). The SBA represented a generous approach for the design of a friendly framework for the development of the SMEs. This new framework aimed at facilitating the entrepreneurs' initiatives to become success business, despite the actual difficulties. In this perspective, the new policy framework facilitates the access of the SMEs to various financing sources and to the European and global markets. The SBA relies on a set of 10 principles around the concept: "Think small first" (European Commission, 2008, p. 5). A basic concept is represented by the stimulation of the entrepreneurship, especially among young people. In this context, the SBA has emphasised the need of entrepreneurial knowledge and of being motivated for being self employed and to initiate and develop his own business. facilities rules Moreover, in November 2011, the European Commission has reviewed the SBA, in order to be more responsive to the actual crisis challenges and more supportive for the SMEs. The main directions of action are focused on designing a more flexible and favourable regulation framework for the SMEs' development, facilitating the access of SMEs to various financing opportunities and supporting the SMEs to contribute to a resource-efficient economy. In order to valorise these facilities, the SMEs should improve their administrative and technological capacity. Networking for improving the innovative potential, stands as an important direction for strengthening the position of the SMEs on the market.

The remarkable recovery after the crisis has also been noticed, as in 2010 compared with 2009 the GVA produced by SMEs grew by 3.4%, after the decline from 2008 to 2009 (6.4%). Despite the loss of employees (-2.7% in 2009 and -0.9% in 2010), 2011 brought more stability for the SMEs. Due to their flexibility, the SMEs have demonstrated a better adaptation to the new requirements and constraints. The growth signs appeared during 2011: a raise by 0.9% of the number of the SMEs, a growth by 3.9% of the GVA and by 0.4% of the number of employees (Wymenga, P, 2011, p. 8). In respect to the number of employees, between 2002 and 2010, „85% of total employment growth was attributable to SMEs, and SMEs have a much higher employment growth rate (1% annually) than large enterprises (0.5% a year)”, as stipulated in the report: „Do SMEs create more and better jobs?” (De Kok, 2011, p. 5).

According to the analysis related to the SMEs contribution to the GVA growth and employment rates, there are three categories of countries within the European states, i.e. the group of countries with positive growth rate of GVA and employment rate (Austria, Germany, Luxembourg, Malta, Romania, Sweden and United Kingdom) the group of countries with positive growth rate and negative employment rate (Belgium, Bulgaria, the Czech Republic, Denmark, Estonia, France, Italy, Cyprus, Hungary, Netherlands, Poland, Portugal, Slovenia, Slovakia and Finland) and the group of the countries with negative rates for both GVA and employment (Greece, Ireland, Spain, Latvia and Lithuania), as it is presented in the Annual report on SMEs (Wymenga, P., 2011, p. 33). The medium size enterprises contributed to the economic recovery in all sectors, except mining, real estate, renting and construction (ibidem, p. 35). The correlation between GDP and the GVA of SMEs is quite strong (0.53 in 2010), demonstrating the role of SMEs for the overall economy growth.

Apart from the positive contribution of the SMEs to the economic growth and employment, they are actively involved in the innovation and research areas. The lack of funds, the risks involved by the research activities, the high costs of intellectual property rights diminish the contribution of the SMEs in research and innovation areas. The

Europe 2020 strategy creates a favourable framework for research and innovation, encouraging especially the SMEs to actively participate in R&D activities. Taking into consideration the limited resources of the SMEs, the networks and clusters create important opportunities for SMEs to share knowledge, technologies and best practices. Analyzing the state of the art in this area, we identified various European initiatives such as digital business ecosystems (Ceclan M, Ceclan R., 2008) and regional internet community portals (Gengatharen D., 2008), which are business oriented portals, networking the business entities, especially the SMEs.

The correlation between the innovation and research indicators and the GVA is also positive: 0.296 in 2010, as the Annual report on SMEs shows (Wymenga, P., 2011, p. 38). This correlation demonstrates that the recovery capacity is higher for the countries with greater innovation capacity. According to the Innovation Scoreboard, in 2010 the results for the EU member states structured the countries in 4 categories:

- ✓ Group 1: Modest innovators: Bulgaria, Latvia, Lithuania and Romania (innovation indicators well below the EU27 average);
- ✓ Group 2: Moderate innovators: Czech Republic, Greece, Hungary, Italy, Malta, Poland, Portugal, Slovakia and Spain (innovation indicators below the EU27 average);
- ✓ Group 3: Innovation followers: Austria, Belgium, Cyprus, Estonia, France, Ireland, Luxembourg, Netherlands, Slovenia and the United Kingdom (innovation indicators close to the EU27 average);
- ✓ Group 4: Innovation leaders: Denmark, Finland, Germany, Sweden (innovation indicators well above that of the EU27 average).

The innovation leaders have also the highest GVA growth rate, which proves the strong correlation between the innovation and the capacity of producing value added.

3. SMEs' position in Romania

In Romania, the number of SMEs is significant, i.e. around 500000 in 2010, representing 99.6% from the total number of enterprises and producing more than 70% from the GDP and having 60% of the employees (Hodorogel R. G., 2011). During the crises, the number of SMEs' bankruptcies has increased, but in the same time other SMEs had a positive evolution based on a flexible approach and on the capacity of developing new services and products. The main problems, the SMEs are confronted with in Romania consist in the lack of cash flow and the limited access to credits. The desk research, based on the statistical data analysis, demonstrates the contribution of the SMEs in Romania for the socio-economic sustainable development. First, it has been revealed the contribution of the SMEs at territorial and national level by presenting the weight of the SMEs' turnover in the total turnover (table 1).

Table 1. Turnover of active local units from industry, construction, trade and other services, at territorial level, by activity of national economy, in 2010

Region	Total turnover	SMEs' turnover	Weight of SMEs' turnover in the total %	Regional turnover weight in total national turnover	
				Total turnover	SMEs' turnover
1. North-East	61355	51515	83,96	6,79	8,10
2. South-East	93476	64405	68,90	10,35	10,12
3. South -Muntenia	107136	64221	59,94	11,86	10,09
4. South-West Oltenia	50953	33749	66,24	5,64	5,30
5. West	70786	47863	67,62	7,84	7,52
6. North-West	91222	66783	73,21	10,10	10,49
7. Center	95354	64429	67,57	10,56	10,12
8. Bucharest-Ilfov	332956	243402	73,10	36,86	38,25
Total	903238	636367	70,45	100,00	100,00

As it is illustrated in the table 1 (***, 2011), the contribution of the SMEs at the national level represents more than 70% of the total turnover. Another significant contribution of the SMEs refers to the number of the employees and the capacity of the SMEs to create new and better jobs.

As the statistical data presents, the SMEs' role in the Romanian social landscape is significant, contributing with more than 70% jobs for the local active units (table 2).

Table 2. Active population in economy and in SMEs in 2010

Region	Population (persons)	Economy total active population	Staff of active local units from industry, construction, trade and other services, at territorial level	SMEs' employees	Weight of SMEs' employees in		
					Total population	Total active population	Total staff of local active units
1. North-East	3707600	1153700	373830	298733	8,057	25,893	79,911
2. South-East	2806204	1001800	415426	312512	11,136	31,195	75,227
3. South – Muntenia	3258775	1207200	437877	311239	9,551	25,782	71,079
4. South-West Oltenia	2238643	994900	290214	189553	8,467	19,052	65,315
5. West	1916907	1154800	402775	272137	14,197	23,566	67,566
6. North-West	2716456	1214800	490638	379294	13,963	31,223	77,306
7. Center	2523452	832800	486831	357290	14,159	42,902	73,391
8. Bucharest-Ilfov	2263261	811300	932249	647757	28,621	79,842	69,483
Total	21431298	8371300	3829840	2768515	12,918	33,072	72,288

Beside the statistical data, the research team has organised and conducted a survey related to the perception of the population concerning the regional sustainable development. The survey has been carried out in Bucharest-Ilfov region in 2010 and encompassed 254 persons, representing various professional and age categories. According to the Bucharest-Ilfov citizens' opinions, the SMEs represent the main development driver at the regional level, as it is illustrated in the figure 2. Moreover, in term of policies, the citizens have appreciated that supporting the SMEs through fiscal measures could contribute to ameliorate the effects of the crisis.

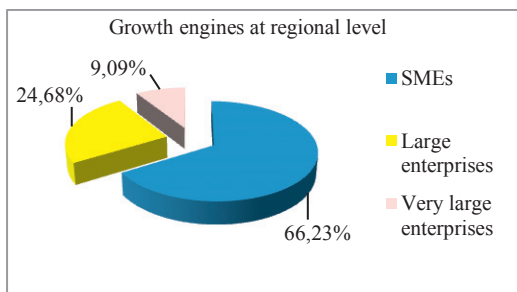


Figure 2. Citizens' opinions related to the regional development

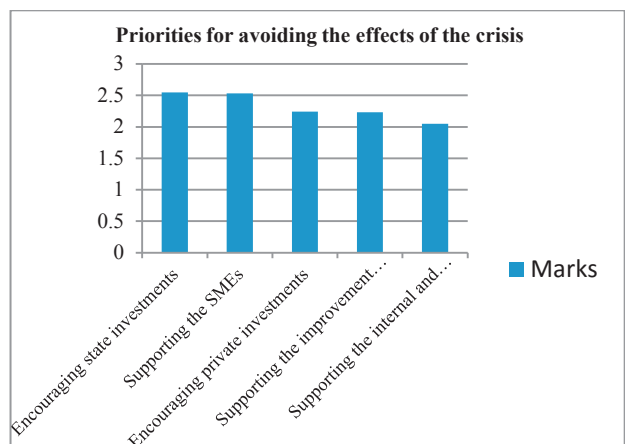


Figure 3. Citizens' priorities related to the priorities for economic recovering

The survey revealed that the citizens are aware about the priority of encouraging and supporting the SMEs development for a quick economic recover. According to the citizens' opinions, the support for the SMEs represents the second priority at the regional level (figure 3), after the state investments, in order to ensure a sustainable development and to diminish the effects of the financial crisis.

4. SMEs' role in the regional decision making process

According to their role and contribution to the regional sustainable development, the SMEs should have a stronger voice in the European, national and regional strategic processes. The SMEs had a major contribution in the design of the European Small Business Act, being involved in the design of the strategic guidelines for the small and medium enterprises, in order to avoid obstacles in the evolution of the SMEs (reducing administrative and regulatory burdens, facilitating access to finance etc.). In this case, the SMEs played an important part in the EU „think small”

approach. This new perspective stands for an innovation in the EU policy design and should be emphasised as a progress in the strategic area.

Beside their role in the design of specific policies for supporting small business development, the SMEs should be involved as active actors in the decision making processes at regional levels (regional strategy design, environmental policies, research and innovation policies, life long learning policies etc.). As important regional stakeholders, the SMEs should strengthen their position at the regional strategic level, in order to be sure that their interests and concerns will be taken into consideration. In order to fulfill this aim, the SMEs should use intensively the networking facilities for information and knowledge sharing and for having common positions towards significant sustainable development issues. The SMEs should have a greater share in the political discourse along with the citizens. The use of the web 2.0 technologies creates opportunities for a smooth and stronger interaction among the regional stakeholders and between the regional actors and the local government. Using digital platforms for enabling the regional actors' pro-active and participative behavior in relation with the local government and in the framework of the local policies design, approval and implementation represents an advanced and efficient approach. This mechanism introduces a qualitative and sustainable dimension by creating new infrastructures as regional online platforms for empowering the regional intellectual capital and its interaction with the public administration structures.

5. Conclusions

The SMEs' potential for growth and employment has been demonstrated, but their innovative capacity has not been sufficiently exploited. A more flexible and favourable political framework could facilitate the access of the SMEs to finance and technologies and, consequently, could contribute to a better valorisation of their capacity. Moreover, stimulating and enhancing the SMEs' participation in the public life and in the democratic decision making processes could improve the quality of the sustainable strategies and their realistic character.

Apart from these conclusions, it has been suggested to take advantage of the new web 2.0 technologies, aiming at stimulating the knowledge and information sharing, as a facilitator for the research and innovation activities. The digital platforms could also facilitate the interactions between decision makers/public authorities and the regional stakeholders, especially the SMEs. In this way, the cooperation among the SMEs could be strengthened, facilitating their positive evolution and stability. Simultaneously, the SMEs could agree on common interests and requirements enabling them to have a stronger impact on the strategic level.

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