

THE CAPACITY OF SMES FROM BIHOR COUNTY WHICH CARRY OUT IMPORT-EXPORT ACTIVITIES TO FACE THE CHALLENGES OF THE INTEGRATION IN THE EUROPEAN SINGLE MARKET WITHIN THE EURO-REGIONAL CONTEXT

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Starting from the premises that the competitive capacity of the SMEs is determined by their nature: some of them having rapidly growing capacity, others being totally dependent on local or regional markets, the present paper aims to investigate the capacity of SMEs from Bihor county, which carry out export and import activity, to face the challenges of integration in the European Single Market, with the purpose to guide them towards that initiatives and measures that correspond to their nature, by exploiting the possibilities offered by structural funds. The paper presents the general situation of the SMEs from Bihor county focused on those which are part of intra-communitary trade, and, on the base of a questionnaire applied to a number of 50 of them, their perceptions regarding the threats and opportunities of the European Single Market, in order to increase the absorption of structural funds and to design a Euro-regional strategy for the SME sector with direct benefits for the economic agents and communities from Romania and Hungary. The paper is based on the preliminary research results of the project called "The encouragement of SMEs which carry out import-export activity from Bihor county regarding the integration in the European Single Market through the development of cross-border business services", financed by the PHARE CBC 2005 Programme. The data used have been offered for the mentioned project by Local SMEs Council, Oradea.

Key words: economic integration, European Single Market, SMEs sector, structural funds absorption, Euro-regional development, cross-border cooperation

Introduction

The privileged position occupied by the SME sector within the EU politics is determined by the acknowledgement of the fact that this sector can significantly contribute to the growth of the GDP and to the reduction of unemployment, as 80% of all the newly generated employment in the EU in the last years was provided by SMEs, that is, according to the UE, enterprises with maximum 250 employees and with a turnover of maximum 50 million Euro¹⁴⁰. Moreover, SMEs have the capacity to respond in a flexible way to the requirements of an extremely competitive market and to rapidly adapt to the cyclic and structural changes of the global economy. Nevertheless, at the same time, it is true that the SMEs sector is equally characterized by a strong dependency on the local and regional markets, being very sensitive to any change that occurs within the business world. Admitting that it is necessary that something should be done and that there is more to be done for SMEs than what has already been done for the 23 million SMEs in Europe, which represent 99% of the enterprises in the UE, but which very often are confronted with administrative obstacles and are subjected to the same administrative requirements as the 41 000 large enterprises in Europe¹⁴¹. On 25th of June 2008, The European Community adopted the „Small Business Act for Europe”, a document according to which SMEs become the focus point for the development of European and

¹⁴⁰ According to European portal for SMEs - http://ec.europa.eu/enterprise/sme/index_en.htm

¹⁴¹ Report of the European Investment Bank available at <http://www.eib.org/attachments/strategies/sme-consultation-2007-2008-en.pdf>

national politics in order to unleash their potential for long term growth and to generate employment¹⁴², in the spirit of the Lisbon Strategy.

This paper analyzes the particular situation of SMEs from Bihor County which carry out export-import activities, in the general context of the changes determined by the country's joining the European Union and of the challenges generated by the integration in the European single market, as well as in the particular context of the Bihor-Hajdu-Bihar Euro-region, a context which, by means of cross-border exchange, allows for the transfer of knowledge/knowhow between the Romanian and Hungarian SMEs.

The Project: „The Supporting of the Integration of SMEs which carry out Import-Export Activities in Bihor County within the European Single Market through the Development of some cross-border services”¹⁴³

The successful preparation and integration of the SMEs from Bihor county which carry out import-export activities in the European single market, using the two-year experience of Hungary in the European Union, is the main objective of the project entitled: ***The Project: „the Supporting of the Integration of SMEs which carry out Import-Export Activities in Bihor County within the European Single Market through the Development of some cross-border services”***, project financed by the Romania-Hungary PHARE CBC 2005 Programme. The project has as goal to determine the improvement of the technical and managerial abilities of the personnel working in the import-export SMEs from Bihor county by means of exchange of know-how with the Hungarian partners and training activities, thus, consolidating their capacity to administrate, operate and implement cross-border projects, and, at the same time, to induce a change in the attitude and mentality among the SMEs regarding the process of European integration and the European single market. This change of attitude will reflect itself in the improvement at the level of applying and interpreting legislation, at the level of rendering the management of human and material resources more efficiently, at the level of the awareness of the necessity and usefulness of a management and development plan of the company on short and medium term, as also at the level of the development strategy that respects the European tendency. The focus point is represented by the SMEs which are currently engaged in import-export activities, which are not in need of support in understanding the changes that occur and the integration in European single market immediately after the integration of Romania in the E.U: 70 small and medium-size import-export enterprises from Bihor Bihor county, Romania (50 enterprises) and from Hajdu-Bihar county, Hungaria (20 enterprises), each represented by their manager and an employee. The SMEs have been selected with the help of the Local SME Council from Oradea, Bihor and the Hajdú-Bihar Chamber of Commerce from 5 different fields of activity (agriculture, industry, commerce, transport, tourism-services).

How do the import-export SMEs from Bihor county perceive the European single market?

The research, that was carried out in the period November-December 2007, by the team of the above mentioned project, starts from the hypothesis that the import-export SMEs from Bihor county perceive the European integration and the European single market to be rather a source of threat and constraints than a source of opportunities for the development of their business, which will implicitly determine a reduced capacity of the SMEs to absorb structural funds. Being familiar with the perception of the SMEs about the European single market is, in our opinion, the starting point in order to be able to generate a change in attitude and mentality among the SMEs regarding the European integration and the European single market, which will no longer be seen only as a generator of constraints and threats but also as generator of opportunities resulting, especially from the special status of the SMEs in the E.U. The purpose of the investigation is to identify the means to increase the capacity of the SMEs to absorb structural funds and to shape a Euro-regional strategy for the SME sector with direct benefits not only for Romania but for Hungary also. The research was carried out by applying a questionnaire made up of three dimensions: the first one analyzes the perception of the SMEs in Bihor county regarding the influence the integration of Romania in the E.U has on their own activity, the second one, deals with the perception of the SMEs in Bihor county regarding the European single market, seen either as a source of opportunities for business

¹⁴²The "Small Business Act" for Europe available at http://ec.europa.eu/enterprise/entrepreneurship/sba_en.htm

¹⁴³ Project financed by the Romanian-Ungarian PHARE CBC 2005 programme, ref.no.: RO-2005/017-536.01.01.01.20

development or as a source of constraints, and the third dimension analyzes the degree of awareness of the representatives of the SMEs in Bihor county regarding the structural funds and the possibility to attract these funds. The questionnaire was applied to the direct beneficiaries of these projects: 50 Romanian managers and 50 Romanian employees from the SMEs in Bihor county engaged in this project.

The first dimension of the research conducted with the help of the questionnaire refers to the perception of the SMEs in Bihor county regarding the influence the integration of Romania in the E.U has on their own activity. Thus, 78% of those questioned consider that the integration of Romania in the European Union will influence their activity in a positive way, 11% consider that the influence will be negative, and 11% that their companies will not be affected by the integration.

Do you think that the integration of Romania in the European Union will influence the activity of your enterprise?

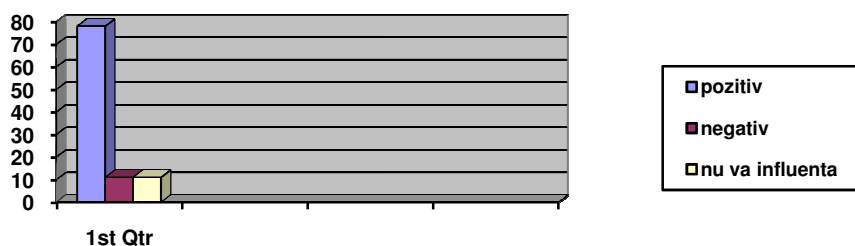


Fig no. 1. the perception of the SMEs in Bihor county regarding the influence the integration of Romania in the EU has upon their activity.

The second dimension, deals with the perception of the SMEs in Bihor county regarding the European single market, seen either as a source of opportunities for business development or as a source of constraints. In what concerns the perception of the European single market as a source of opportunities, we must point out the willingness of of the SME representatives from Bihor county to enter the European single market – 78% declare their willingness compared with the 22% which are not willing to undergo the risks of an international business; moreover, we must point out the high percentage (43%) of those who are willing to extend their activity to Hungary, which demonstrates that there is a great potential for the development of cross-border business relationships.

Do you wish to extend your activity in one of the states which belong to the European Union?

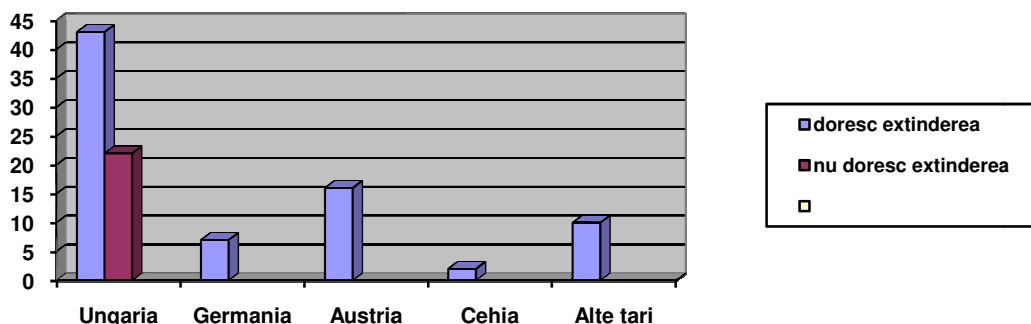


Fig. No. 2 The perception of the SMEs in Bihor county regarding the extension of their area of activity in the E.U. member states

To the question *What do you think is the main advantage of your company compared with a similar company from the European Union?*, 37,43 % from those questioned mentioned the low costs, firstly, in what concerns the labour force, and secondly, those deriving from the valorization of the local/national resources; 25,71% - the fact that they know the local market with its implicit advantages (being familiar

with the clients, the competition: the business relationships existing at the local and national level, the supply and delivery networks; 10% - the experience, the specialization, lower sales costs, 22,85% did not mention any advantage, while only 2% consider that there are no advantages. Moreover, the local market is perceived by all those questioned as undergoing a growth process, offering possibilities for development in a more rapid and intense way, or as a developing market, offering the chance to benefit from the yet unexplored opportunities, the way in which the local market is perceived is anyway opposed to the way in which the European market is perceived, that is as a saturated market.

In what concerns the European single market being perceived as a source of constraints and a creator of disadvantages, - the first two disadvantages identified by the SME representatives from Bihor county are the lack of information, knowledge and experience in the field, as well as the lack of capital. Thus 22% recognize as disadvantage the lack of information, knowledge and experience in the field, which reflects the acute necessity of some informational and training projects like this project; 10 % point out the lack of capital, this percentage being, from our point of view, alarming in the case of information campaigns regarding the the structural funds which the SMEs can access; and 68% bring other issues into discussion, as an example: the difficulty to enter a market which is already formed, the absence of an adequate infrastructure, the lack of exposure and means of promoting the company image, bureaucracy and the lack of support from the local authorities, the lack of governmental help, the lack of a financial policies favourable to the SMEs at the national and local level, the interference of politics in the economy, etc.

The third dimension of the questionnaire we applied analyses the degree of awareness of the representatives of the SMEs from Bihor county regarding the structural funds and the possibility to access them. First of all, 65% of the SME managers from Bihor county, which were questioned consider themselves, generally, less informed regarding the European single market, than their peers from the European Union, compared with the only 23% who feel inferior when it comes to the degree of awareness.

Do you believe that managers in the European Union are better informed regarding the European single market than the Romanian managers?

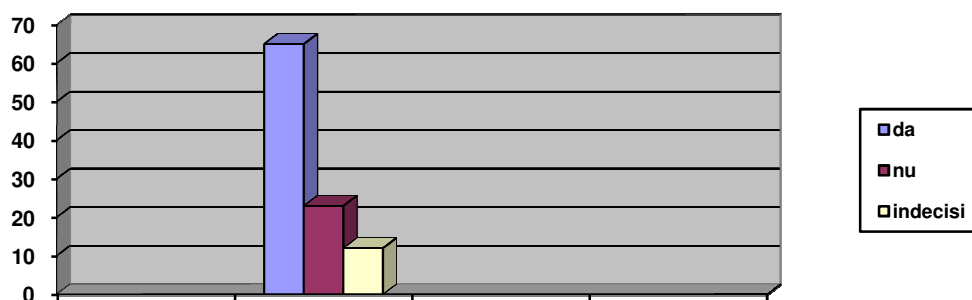


Fig. no. 3. The way in which SME managers from Bihor county perceive their awareness regarding the European single market compared with the managers in the European Union.

The inferiority status in which the managers of the SMEs from Bihor county see themselves, when it comes to the amount of information they have about the European single market, reflects the necessity for a strategy to inform and counsel which is specific to the SME sector, at both the local and national level, as well as, at the Euro-regional level. To the question „What information are you interested in regarding the European single market?” two answers are clearly set apart: information regarding structural funds or non-refundable E.U. financing (56%), respectively information regarding E.U. legislation, regulations and standards specific to the field activity of the company (34%). Although, the information regarding structural funds occupy the first position in the preference chart, 86 % of those questioned declare that they do not have information about the *Specialized Operational Programs (SOPs), as means of accomplishing the priorities of the sector and/or the regional priorities from the National Development Plan which are approved for financing by The Frame for Community Support* and, as a result, cannot

distinguish between SOPs which would interest them, choosing one or more depending on the proximity of their title to their field of activity.

Do you have information about the seven SOPs?

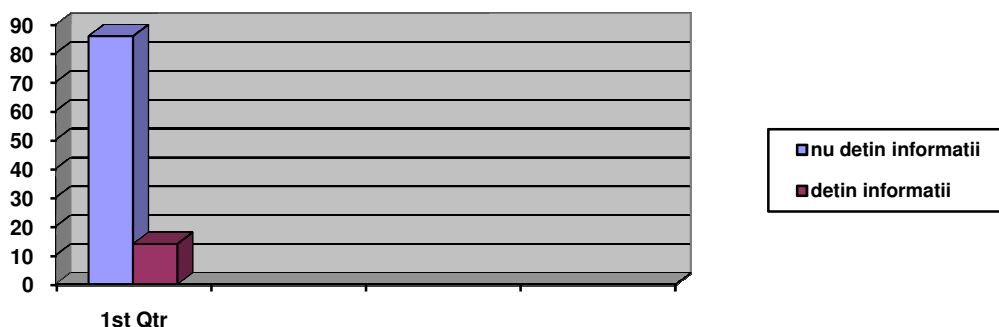


Fig. no.4 The degree of awareness of SMEs from Bihor regarding the SOPs.

Conclusions and Suggestions:

The questionnaire which was applied proves, in the first place, the *existence of a acute need of to be informed and trained in the field of entreprise*, in the context of the numerous changes of the business world determined by the European economic integration. The fact that not the lack of capital is considered to be the main threat of the European single market, but the lack of information, knowledge and experience in the field invoked by 22% from those questioned and that 65% from the SME managers from Bihor which were questioned consider themselves to be less informed as compared with their peers from the E.U., and 86 % from those questioned declare they do not have any infirmation about the SOPs, *eventhough 50% are interested to acquire as much information as possible regarding the access to structural funds*, they clame that massive information campaigns are necessary *as well as some training and instruction programmes for SMEs are necessary in order to access structural funds*.

The fact that 78 % of those questioned view the European integration as a positive aspect and that 78 % are willing to undergo the risks of an international business demonstrates, that *there are more reasons to be optimistic than pesimistic in what concerns the capacity of the SMEs in Bihor to cope with the challenges of the European single market*. The high percentage (43 %) of those who wish to extend their area of activity to Hungary shows that *there is a great potential for the developmet of cross-border business relationships*, nonetheless, even if progress has been made in the Bihor-Hajdu-Bihar Euro-region, the economic and business relationships are still limited by the potential ofered by the economic characteristics of the area/region. The Euro-regional dimensions of the strategies used by the SMEs must be developed by creatig a frame which should facilitate and compensate for the lack of contracts and interaction, which are necessary for the economic development, including the import-export activity in the cross-border region. The easiest way to create this frame is to facilitate the cross-border exchange of know-how between companies, which belong to the same field, which are confronted with the same problems and subjected to the same pressures, *by means of cross-border cooperation programmes, by organizing different associations of the SMEs or of the specialized fields*

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