

STUDY ON THE ECONOMIC PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN ROMANIA

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Abstract:

The propose of this paper is to analyse the economic performnce of small and medium enterprises in Romania. The paper highlights the evolution of economic performance of small and medium enterprises in 2011 compared to 2010. The study uses survey data from 1716 small and medium enterprises, which have been included in the study by the National Council of Private Small and Medium Enterprises in Romania in 2011. The results of the study shows that economic performance of SMEs were quite low in 2011 compared to 2010 and it could also been signalized a reduced capacity of the SMEs development in a strong context influenced by the economic crises of recent years.

Keywords: economic performance, small and medium enterprises, Romania

JEL classification: L25

1. Introduction

Recent years are market by a number of concerns regarding the definition and classification of enterprise performance. Being efficient means: to be good, to be the best, to fight to be the best.

Bernadin (1995) believes that “*performance should be defined as the sum of the work effects because they provide the strongest connection with the strategic objectives of the organization, customer satisfaction and economic contributions*”.

Economic performance means achieving the highest possible levels of business activity overall results compared to the objectives, competition and to the situation in previous years (Niculescu and Lavalette, 1999).

The concept has an abstract performance and its definition is made by reference to other concepts (Albu and Albu, 2005):

- performance is strategic objectives;
- performance is an unstable equilibrium between efficiency (which shows the relationship between business partners) and efficiency (as endogenous indicator of the company).

According to the international standard 9000, the two terms are defined as follows:

- effectiveness is the extent to which planned activities are realized and whether the planned results are achieved (the ability to achieve results) [1];

$$\text{Effectiveness} = \frac{\text{Result obtained}}{\text{Level goal}} \quad [1]$$

- efficiency is the relationship between the result achieved and resources (ability to be effective with effort/cost) [2].

$$\text{Efficiency} = \frac{\text{Results obtained}}{\text{Means used (effort made)}} \quad [2]$$

Enterprise performance is influenced both by factors coming from the external environment and internal environment, factors that can be controlled: clear lines of action, effective execution, efficient operations. An enterprise that focus on these factors can achieve high performance and sustainable. Without one of these factors, the performance will not be sustainable.

Enterprise performance depends on the ability of managers to build a company capable of high and sustainable performance of enterprise to excel from year to year. Peter Drucker said that “*performance is the ultimate test of an organization*” (Drucker, 1988).

2. Research methodology and results

The study uses survey data from 1716 small and medium enterprises, which have been included in the study by the National Council of Private Small and Medium Enterprises in Romania in 2011.

This paper presents some results which are focusing on analysis of economic performance indicators on regions so as to make a profit of regional economic development (C.N.I.P.M.M.R., FRC, AIPPIMM and Manager, 2012).

Next we present an analysis made by authors, regarding the research results of the survey on Romanian regions.

1.1. Research results on North-East region

North-East region include counties like Bacau, Botoșani, Iași, Neamț, Suceava and Vaslui. Turnover on counties, total area and the net result of exploitation are presented in the following table.

Turnover and net result of the operation in the Nord East

Counties	Number of companies	Number of employees	Turnover (mil. lei)	Net result of the year (mil. lei)
Bacau	13.846	53.120	7.280	343
Botoșani	4.144	23.879	2.980	110
Iași	18.102	75.048	10.500	476
Neamț	10.862	44.280	5.900	220
Suceava	12.870	52.630	7.320	295
Vaslui	5.145	21.493	2.830	107
TOTAL	64.969	270.450	36.810	1.551

The increasing number of regional companies with +1.3%, in the region, it detaches Iasi with 18.912 units (about 20% of total), the opposite is placing Botosani with 4.681 units.

1.2. Research results on South-East region

South-East region include counties like Brăila, Buzău, Constanța, Galați, Tulcea and Vrancea. South-East region ranks 3 of the 8 regions by labor productivity per employee, in 4th place in terms of SMEs number and employee’s number and in 5th place after the net results for the year.

South-East region has 4.3% of the net results of operation nationwide, 7.69% of the turnover, 5.4% of the total equity, 6.15% of total net assets, 6.74% of total debt, 10.85% of all employees, 8.75% of total salary costs claimed and 4.99% of gross profit.

The region is characterized compared to the national average of SMEs by using low wage costs than profit generated table.

1.3. Research results on South region

South region include counties like Argeş, Călăraşi, Dâmboviţa, Giurgiu, Ialomiţa, Prahova and Teleorman.

South region is one with a median position in the total area of the country, raking place 3 by volume net of the exploitation result, 5th place by the share of total employees, 3rd place after the labor productivity and 3rd place after commercial profitability rate.

In the South region can be meet strong discrepancies between counties components. These can be seen in the following table.

Economic results in South region

Counties	Turnover (mil.lei)	Number of employees	Gross profit	Net result of exploitation
Argeş	10.900	69.818	644	533
Dâmboviţa	3.980	26.700	239	197
Ialomiţa	3.570	19.531	258	215
Prahova	13.000	88.559	1.060	890
Teleorman	3.310	20.468	188	155
Călăraşi	3.240	19.167	220	184
Giurgiu	3.190	14.740	142	119
TOTAL	41.190	258.983	2.751	2.293

1.4. Research results on South-West region

South-West region include counties like Dolj, Gorj, Mehedinţi, Olt and Vâlcea.

The main finding refers to the high share in total Dolj owned enterprises (37.2%). In contrast, as share, is Mehedinţi with 9.21% compared to 14% in 2001, indicating an increase in inter-county polarization.

Economic outcomes in the form of turnover and of net profit from operations are presented in the following table together with the structure of the two indicators counties.

Economic performance of SMEs in South-West region

Counties	Turnover (mil.lei)	Net results for the exercise (mil.lei)	County share (%)	
			In turnover	In net result for the exercise
Dolj	8.230	490	45.8	45.8
Gorj	3.110	130	12.2	12.2
Mehedinţi	2.450	84	7.9	7.9
Olt	3.640	152	14.2	14.2
Vâlcea	4.920	213	19.9	19.9
TOTAL	22.350	1.069	100.0	100.0

1.5. Research results on West region

West region include counties like Arad, Caraş-Severin, Hunedoara and Timiş.

Potential leading indicators and also the results at regional level and for the components counties are presented in the following table.

The main potential and results indicators of SMEs in the West region

Counties	Number of enterprises	Turnover (mil.lei)	Net results for the exercise (mil.lei)	Number of employees
Arad	14.006	8.470	435	60.000
Caraş-Severin	5.373	2.780	154	25.092
Hunedoara	10.814	5.450	237	48.841
Timiş	26.920	15.900	929	109.666

TOTAL	57.113	32.600	1.755	243.599
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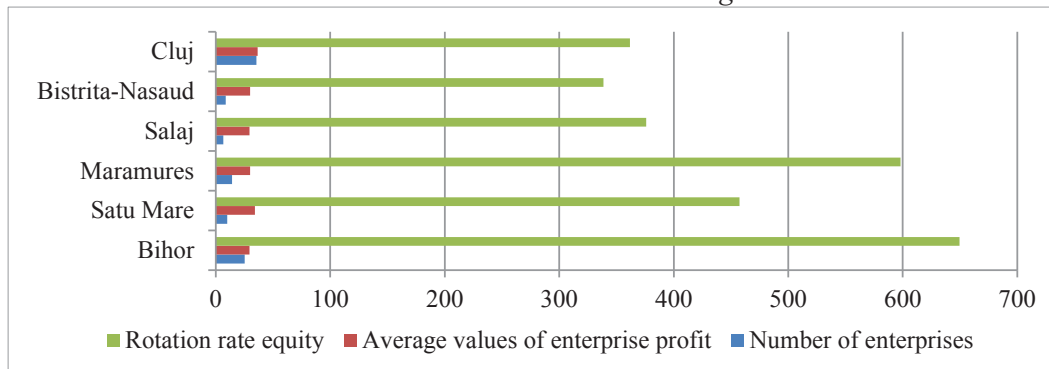
Timiș is detached by high weight that holds all enterprises active in the region, that share is increasing in recent years and tends to approach to 50%.

Level differences but also performance differences between region counties are highlighted by differences in weights between different indicators.

1.6. Research results on North-West region

North-West region include counties like Bihor, Bistrița-Năsăud, Cluj, Maramureș, Satu-Mare and Sălaj.

Economic results in North-West region



North-West region ranks 2 between developing regions by number of active SMEs, the net result for the exercise after volume, after the share in total employees and place 4 after the labor productivity.

In North-West regions the highest share in the volume of enterprises has Cluj.

1.7. Research results on Center region

Center region include counties like Alba, Brașov, Covasna, Harghita, Mureș and Sibiu. Total number of SMEs in the region of 76.339 is up to +38% compared to 2001. Center region holds 12.4% of the total active of SMEs nationwide.

Economic indicators in Center region

Counties	Turnover (mil.lei)	Net results for the exercise (mil.lei)	Number of employees	Debts (mil.lei)	Profit
Alba	5.150	218	38.199	3.910	266
Brașov	13.200	675	88.240	14.200	813
Covasna	2.790	173	21.958	1.740	207
Harghita	5.310	200	39.726	3.750	246
Mureș	8.390	450	63.912	5.720	547
Sibiu	8.640	526	60.121	7.910	625
TOTAL	44.020	2.242	312.393	37.230	2.704

In the development regions, the Central region ranks 3rd in the table after share of profit, number of employees and the profitability rate.

1.8. Research results on București-Ilfov region

Region has two subdivisions: the city Bucharest and Ilfov county.

After the turnover, the region has, in national total a significant share with taxpayers. București-Ilfov region is distinguished by high percentages to the following essential indicators:

- the amount of debt: 53.09%;
- profit volume: 67.41%;
- net result for the exercise: 69.78%;
- equity: 64.40%.

The principal findings aimed at preserving and strengthening the first place to the financial indicators revealing and of the quantity, volume while reducing economic performance.

2. Conclusions

This paper presents the research results on all the eight regions of Romania, mainly analyzing economic performance, namely economic indicators of the counties included in the respective regions.

The significant conclusions are the following:

- in the North-West region distances with high performance Cluj and Bihor compared with Sălaj which is in relative decline compared with 2001;
- București-Ilfov region is atypical compared to other regions. To note that the share of Ilfov county has increased compared to 2001, though it remains strong work differently in profit and share performance across the București-Ilfov region.

Regarding the analysis of the turnover in all the eight Romanian regions, we can observe that the high level of it is in the Center region (44.020 mil. Lei), followed by the South region (41.190 mil. Lei).

The results presented in this article may represent a starting point for future research, in which it could be investigate and present the reasons for these economic results so different from one region to another.

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