

# SMALL AND MEDIUM ENTERPRISES MARKETING IN THE EUROPEAN CONTEXT OF ECONOMIC AND SOCIAL DEVELOPMENT

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**Abstract:** A crucial element for starting or developing a business is to find the adequate forms of financing. The European Commission provides guarantees to SME, therefore facilitating the contracting of bank loans. Furthermore, the Commission favours SME risk capital investments. The European Investment Fund (EIF) manages all these financial instruments on behalf of the Commission. Funds for regional development are crucial for fulfilling the objectives established by EU regarding competitiveness.

**Key words:** SME marketing, social marketing, European integration

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The sector of small and medium enterprises is considered the driving engine of any economy, an economy boosting factor, an element of economic growth. This is the most comprehensive and important sector of enterprises, which fulfils economic, technical and social functions.

Among the advantages that the sector of small and medium enterprises provides to former communist countries we mention the following:

- This is the main driving force of structural changes and of economic regeneration that favours decentralization;
- Guarantees the main part of the GDP of every country, usually between 55% and 95%;
- Contributes to attracting an important part of labour force used by radically structuring industrial "giants";
- Facilitates the transfer of resources from declining sectors to sectors under development;

- Is an economy boosting factor due to the large number of active enterprises, forming at the same time a new social category which contributes to the establishment of the social bases of transition:

- Contributes to the orientation of the population's economies, in the sphere of investments;
- Stimulates the regional and rural development and reduces the negative consequences of privatization and/or restructuring programmes;
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- Actively contributes to the process of re-establishment of the macroeconomic balance and directs it to a state of relative stability, corresponding to a certain

balance price where transition to a market economy takes place;

- Is most dynamic in the conditions of market economy, which results from the evolution of their number, the population occupied and the contribution brought to the main financial indicators;

- Is characterized by a high degree of flexibility and adaptability to the market requirements and changes;

- Provides products and services to much lower costs than large companies, due to expenses much lower than the production unit and to increase staff motivation.

Independent of the characteristics and type, SMEs have - as any other company - a **triple dimension**:

- **Social-political**, which mainly refers to the relational and decisional elements of the organization, in which conflicting issues are very important;

- **Instrumental**, which takes into account the economic rationality aspects that on first examination reflects the efficacy and efficiency of the company;

- **Cultural reflexive**, an expression of the behavioural values, of the organizational culture manifested within the company and affecting the content and the forms of manifestation of previous two dimensions and implicitly the performance of SMEs.

In conclusion, although by definition SMEs are relatively small enterprises, they are characterized by complexity and variety, specific characteristics and functionalities, which must be known and taken into account, for amplifying its economic and social performances.

The uncontested importance that small and medium enterprises have in any

economy is given by the following economic and social considerations:

- they make a special contribution to strengthening the competitive environment, underline the character of atomicity of the market, therefore reducing the capacity of large enterprises to influence and wavering their monopoly;

- they offer a strong identification of the products and services provided;

- they are the most important generators of new jobs;

- they have a better receptivity and adaptability to the requirements (market needs);

- they enable the development and adaptation opportunities of adequate technologies;

- they efficiently exploit market niches which are considered unprofitable for large enterprises;

- they efficiently exploit local sources;

- they are specialized providers for large enterprises;

- they contribute to the development of an entrepreneur culture and ensure the creation of a large number of enterprises capable to assume risks;

- they stimulate investments from the populations' economies or from other funds that otherwise would not being profit;

- they contribute to the creation of a long-term political and social stability

Small and medium enterprises are the engine of any economy and an important factor for employment of the population. The European Commission places the SME needs at the centre of its concerns. The main priority is to improve the financial environment and to diversify regulations at the level of SMEs in Europe in terms of

supply of facilities for the good performance of the activity.

At European level, the bureaucracy costs for small enterprises are considered reduced with approx. 25%. Therefore, companies can save approximately EUR 150 billion, and the GDP at the level of the EU will increase with 1.5%. Furthermore, Community funds for SMEs will increase so that an increasingly higher number of small enterprises can access them. In the period 2007-2013, regional development funds contributed with approx. €200 billion to business promotion, jobs and economic growth, and SMEs could benefit from a large extent of this amount.

The research and development programmes provided by the European Commission have provided approx. €6 billion to SMEs for funding research programs. By the end of 2013, community expenses for promoting the entrepreneurial spirit and innovation increased with up to 60% compared to 2006, due to the €3.6 billion supplied by the new Program for competitiveness and innovation. From this amount, €1 billion was destined for financial support of SMEs.

One of the problems of SMEs that the European Commission wants to address is to facilitate the access to useful information. This is why the portal for SMEs was created <http://ec.europa.eu/enterprise/sme/>, easy to access and easy to use, which provides information on:

- SME funding opportunities;
- support services;
- the importance of SMEs for European economy and for creating jobs;
- the establishment of an European policy concerning SMEs;

- encouraging entrepreneurship in Europe

- the scope of EU policies for supporting SMEs.

Another problem that deserves all the attention of the European Commission is the bureaucracy of current laws and legislative proposals. In the period 2005-2008, 220 laws and 1400 texts of secondary law were subject to examination, at the beginning of 2007 half of the laws examined having been already debated.

Another very important aspect is to reduce the formalities of SMEs in public auctions. The main difficulties that SMEs face when they make public procurements are either the lack of information regarding the procurement procedure, or the lack of expertise in preparing the offer or the resources for reacting in such a brief period of time, or the difficulty in fulfilling administrative requirements. Therefore, one of the priorities of the European Commission is to take the measures for creating equal conditions for enterprises participating in public auctions.

An essential element to start or develop a business is to find proper forms of financing. The European Commission provides guarantees to SMEs, therefore facilitating the process of obtaining bank loans. The Commission also favours risk capital investments in SMEs. The European Investment Fund (EIF) manages all these financial instruments on behalf of the Commission.

In the period 2001-2006, €510 million was distributed and more than €1 billion was allocated as part of a new Competitiveness and Innovation Program of the Commission, developed in the

period 2007-2013. Financial institutions will provide approx. € 30 billion in the form of new funding for approx. 400,000 SMEs in Europe.

Ensuring a loyal competition is another very important aspect for EU SMEs. The European Commission focuses on preventing the abuse of dominating power. The Commission gives a special importance to complaints issued by small enterprises that reveal anti-competition practices practiced by large companies that use their market power to remove smaller competitors. Furthermore, any mergers that might create or consolidate a dominant market position are forbidden.

The creation of an entrepreneurial spirit is also the object of concerns of the European Commission. For this purpose, the commission collaborates with national authorities to integrate entrepreneurial education in the syllabus at all levels of education. Based on these actions, young people learn the meaning of the concept of entrepreneur while also stimulating their creativity and desire to take initiatives, elements considered essential for a successful entrepreneur.

The support of SME internationalization is achieved by a permanent analysis and update of the law to guarantee the correct operation of the market and the acknowledgement of the fact that enterprises can benefit from the regulations established all over Europe. The new directive concerning services, for example, will reduce service trading bureaucracy and will encourage European enterprises to extend across borders.

The research and innovation activities are, most of the times, more difficult to put into practice for SMEs than for large

companies. The lack of financial resources and experience and the difficulty in finding a competitive business partner are aspects that contribute to the “handicap” of small enterprise in this sense. Therefore, the European strategy regarding innovation aims to create better business conditions and to remove market barriers which prevent a good development of business. The competitiveness and innovation program finances investments, especially SMEs for innovating activities. The objectives of the program are:

- To improve the access to funds;
- To promote economic innovation;
- To continue financing community services that support business and innovation.

The program had a budget of €3.6 billion for the period 2007-2013. The Commission also supports the development of so-called “leading markets” which refers to the other sectors with very high potential of transformation of new innovations in commercial products.

In the context of simulating innovation, the need to protect ideas has become more than more prevalent. Companies need more and more to protect their creative ideas and the intellectual property rights (IPR). The Commission wants to increase awareness of IPR issues and provide support to enterprises, especially SMEs to make the most of their intellectual property.

The funds granted for the regional development are crucial in fulfilling the EU objectives concerning competitiveness. In budgetary terms, structural funds have supplied more than €300 billion for funding regional development in the period 2007-2013. More than two thirds of these funds

have been allocated to measures promoting enterprises, growth and jobs. Rural development which is currently an EU general priority will benefit from an additional support. Approximately € 80 billion will be available for increasing the competitiveness of agriculture and for encouraging the economic diversification of rural areas. Moreover, special efforts are made to promote fishing and regions with specific characteristics, for example mountain areas or the farthest regions of the Union.

The expenses will cover the problems and measures supporting the development of SMEs, such as innovation and funding. SME support will benefit of significant financial resources. Moreover, all regions are currently eligible for funding from Structural Funds. In less-developed

regions, SMEs will be able to receive direct support, subject to certain conditions, while in the rest of the EU, the support will be available to groups of enterprises, supporting agencies, local administrations and other agency structures. In all regions, Structural Funds focus on measures such as co-financing business incubators, support schemes, training and financing SMEs, transfer of technology, groups of activities of SMEs and the network activity.

The financing projects are selected regionally at all times. SMEs and other organizations interested in structural funds must contact local authorities and obtain more information about the available funding options.

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