

The Role of SME Sector in the Post-Socialist Countries' Future

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Abstract

Only in recent years, small and medium enterprises (SMEs) have become economic and social organizations which constantly create new jobs, more often for qualified people with proper expertise. The fall of socialism created new opportunities for small businesses and represented a different stage of market reform in these countries. In this context, governments created a new legislation to encourage small investors, but, frequent changes in the tax system encourage them to use tax dodging strategies in order to reduce government's profits and tax payments. This paper provides an empirical analysis of this small business sector development, and draws attention to the importance of the potential roles of SMEs in the process of economic and social transformation.

Keywords: Small and medium enterprises, entrepreneurship, business

JEL code: P31, O12

1. Introduction

Currently, in all countries, especially in the economically developed ones, with democratic traditions and an important and clear legal system, in which capitalism proves its obvious advantages, where the market is the sole arbitrator of the economy and the private enterprise is encouraged, it is estimated that development is the main way and will continue to be for many decades, with a growing importance of the role and weight of small and medium enterprises in the national economy.

To analyze the problems of SMEs, it is first necessary to define them. The generic company entered the theory and practice of economic nature after the '30s of the last century, but was imposed after the '70s and became almost generally recognized in the last decade. Despite the abundance of literature on the company, the interest of scientists and practitioners has increased since everyone agrees that these organizations are the engine of progress in the contemporary society. On the other hand, various theoretical approaches are found less often in the empirical predictive value confrontations.

Delimitation of SMEs in the economic landscape has been, over time, a difficult and controversial topic. There is no universally accepted international definition. A study conducted by Massachusetts Institute of Technology has identified over 50 variants in an attempt to define them. Pragmatic reasons, different approaches to the definition of SMEs are summarized in Table 1:

Table 1. Main types of approaches to defining SMEs

No. crt.	Criterion	Types of approaches	
		Name	Dominant feature
1.	Coverage of the economy	Generalizing	Establish the same criteria or the same criteria for defining SMEs in all sectors of the economy
		Differentiated	Establish different criteria for defining SMEs, depending on their field
2.	The number of indicators used	Dimensional	Define the size of SMEs based on a single indicator, most often the number of employees
		Multidimensional	Define the size of SMEs based on several indicators, the most commonly used are the number of employees, turnover and capital

Source: Ovidiu Nicolescu and Ciprian Nicolescu, Entrepreneurship and SME Management, Publishing House Economica, 2008, pag. 60.

In recent years the prevailing speed and one-dimensional generalized approach have been used mainly to define SMEs in terms of number of employees.

According to UNECE 2003, the development of small business in countries in transition may be classified into three broad groups:

- countries making rapid progress: Poland, Hungary, Czech Republic, Slovakia, Latvia, Lithuania, Estonia and Croatia;
- countries at an intermediate stage of transition: Bulgaria, Romania, Russian Federation, Uzbekistan and Kyrgyzstan;
- countries making slow progress: Albania, Bosnia, Herzegovina and Macedonia.

Despite significant differences which exist between transition and mature market economies, these three country groups portray considerable variations in terms of how they create and respond to emerging business opportunities.

Although when defining post-socialist SMEs from Central and Eastern Europe the EU has a unique model, it is not consistent in all countries and it does not ensure satisfactory comparable parameters as can be seen in Table 2. However, assets remain the basis for a unique model in EU countries.

Table 2. Criteria for defining SMEs in countries from Central and Eastern Europe

Country	Criteria for defining small-sized enterprises	Criteria for defining medium-sized enterprises
Albania	Number of employees: - 0-5 micro - 6-20 small enterprises Turnover: - Less than de 40 million LEK Capital: - 100% owned by an individual	Number of employees: - 21-80 Turnover: - Less than de 80 million LEK Capital: - Not more than 25% owned by a company that is not SME
Bulgaria	Number of employees: - 0-9 micro - 10-49 small enterprises Turnover: - Less than de 1 million BGL Capital: - Do not be dependent on a large enterprise	Number of employees: - 50-99 Turnover: - Less than de 3 million BGL Capital: - Do not be dependent on a large enterprise
Czech Republic	Number of employees: - 0-9 micro - 10-49 small enterprises Turnover: - Less than de 250 million CZK or gross income less than 180 million CZK Capital: - Not more than 25% owned by a company that is not SME	Number of employees: - 50-249 Turnover: - Less than de 1.450 million CZK or gross income less than 980 million CZK Capital: - Not more than 25% owned by a company that is not SME
Croatia	Number of employees: - 0-9 micro - 10-49 small enterprises Turnover: - Less than de 16 million HRK or gross income less than 8 million HRK Capital: - Not more than 25% owned by a company that is not SME	Number of employees: - 50-249 Turnover: - Less than de 60 million HRK or gross income less than 30 million HRK Capital: - Not more than 25% owned by a company that is not SME
Estonia	Number of employees: - 0-9 micro - 10-49 small enterprises Turnover: - Less than de 110 million EEK or gross income less than 80 million EEK Capital: - Not more than 25% owned by a company that is not SME	Number of employees: - 50-249 Turnover: - Less than de 625 million EEK or gross income less than 440 million EEK Capital: - Not more than 25% owned by a company that is not SME
Latvia	Number of employees: - 0-9 micro	Number of employees: - 50-249

	- 10-49 small enterprises Turnover: - Less than de 500.000 LVL or gross income less than 400.000 LVL for micro. - Less than de 4 million LVL or gross income less than 3 million LVL for small enterprises Capital: - Not more than 25% owned by a company that is not SME	Turnover: - Less than de 23 million LVL or gross income less than 15 million LVL Capital: - Not more than 25% owned by a company that is not SME
Lithuania	Number of employees: - 0-9 small enterprise Micro if employees are only the owner and / or members of his family (wife, children, parents)	Number of employees: - 10-49
Poland	Number of employees: - 10-49 Turnover (equivalent zloty): - Less than de 7 million EUR or gross income less than 5 million EUR Capital: - Not more than 25% owned by a company that is not SME	Number of employees: - 50-249 Turnover (equivalent zloty): - Less than de 40 million EUR or gross income less than 27 million EUR Capital: - Not more than 25% owned by a company that is not SME
Romania	Number of employees: - 0-9 micro - 10-49 small enterprises Turnover(equivalent ROL): - Less than de 8 million EUR or gross income less than 5 million EUR Capital: - Not more than 25% owned by a company that is not SME	Number of employees: - 50-249 Turnover(equivalent ROL): - Less than de 8 million EUR or gross income less than 5 million EUR Capital: - Not more than 25% owned by a company that is not SME
Hungary	Number of employees: - 0-9 micro - 10-49 small enterprises Turnover: - Less than de 700 million HUF or gross income less than 500 million HUF Capital: - Not more than 25% owned by a company that is not SME	Number of employees: - 50-249 Turnover: - Less than de 4.000 million HUF or gross income less than 2.700 million HUF Capital: - Not more than 25% owned by a company that is not SME
Slovakia	Number of employees: - 10-49 Turnover: - Less than de 7 million EUR or gross income less than 5 million EUR Capital: - Contractor is individually independent from that, not more than 25% owned by a company that is not SME	Number of employees: - 50-249 Turnover: - Less than de 40 million EUR or gross income less than 27 million EUR Capital: - Contractor is individually independent from that, not more than 25% owned by a company that is not SME
Slovenia	Number of employees: - 10-49 Turnover: - Less than de 1 billion SIT (4.347.800 EUR) or gross income less than 500 million SIT (2.173.900 EUR)	Number of employees: - 50-249 Turnover: - Less than de 4 billion SIT (17.391.200 EUR) or gross income less than 2 billion SIT (8.695.600 EUR)

SMEs are considered as a whole. Wherever and whenever we are trying to learn more about them, we find that the most obvious feature is their *diversity*. Place and role are different, in relation to country first and region second. Herein we are considering the number and categories of SMEs, according to the already known criteria. They add their contribution to GDP, the use of labor, the exploitation of resources, import, export, etc.

In this context, a key question could be: Can we talk about the existence and evolution of a developed SME sector in the post-socialist countries? Could it be the engine of the economic development in these countries? The answer has potentially important theoretical implications because it is important not to place unrealistic expectations on how the SME sector contributes to the transformation of post-socialist economy.

In addition, the absence of a strong, large SME sector is a major problem faced by post-socialist environment SMEs, compared with their counterpart in market economies, because of the implications of supplying chain opportunities in the respective context.

2. Dynamics of SME Sector Savings in Post-Socialist Economies

The extent of entrepreneurship and small business development in the economies of former socialist countries can be accountable for the nature of entrepreneurship development processes. It can be argued that entrepreneurship in transition economies has received less attention than warranted by the nature and extent of changes that occurred in the previous socialist economies. At the same time, there was also a strong desire to try to summarize some of the results emerging from a number of countries in Central, Eastern European countries and former Soviet republics.

Although the number of empirical studies of entrepreneurship and SMEs in developing countries has increased over the years (e.g. Aidis 2003, Bilsen and Mitin 1999, Clarke and Kabalina 2000, Gray and Whiston 1999, Kalantaridis and Labrianidis 2004) at the beginning of 1990 these studies were very rare. However, the emergence of new issues during the transition, including entrepreneurship, contributed to the emergence of a new scientific agenda that included methodological and conceptual challenges for scientists who have had limited access to resources to respond to them.

From an economic perspective, the transformation of a centrally planned economy to a market economy involves three main aspects: first, a change in the dominant form of ownership from public to private, second, liberalization of markets and elimination of control price, and third, to create market institutions. The interdependence between these three elements is also important in setting the framework conditions for a market economy, because the efficiency of an item is usually affected by the nature and extent of progress of the other two. In addition, the nature and extent of reforms in each of these three issues listed have important implications for measuring private sector business. Imperfections and shortcomings are likely to have implications in the developing forms of entrepreneurship, and their frequency.

At the same time, it might be suggested that the nature of the relationship between economic transformation and development of entrepreneurship is recursive. Piasecki¹ notes that in an early stage of transformation, development of SME sector is one of the most effective instruments in shifting business environment, without which the emergence of private sector and market economy are impossible. Moreover, development of entrepreneurship in post-socialist societies started from a variety of starting points in different countries, and former Soviet republics; experience, for example, varied. One of the key roles of the potential of SMEs in a transition context is generating jobs, thus helping to absorb part of the workforce issued resulted from economic restructuring. While, in most transition economies, small firms have been one of the few sources of new jobs, they were usually insufficient to compensate for the loss of major jobs in large companies. In all former socialist economies, small business sector is a heterogeneous mix business with focus on growth and performance.

In countries such as Poland and Hungary, which had a strong tradition in private enterprise, there were people who established SMEs in the transition period, and who also came from former entrepreneurial families. In Central European countries, various studies have estimated that SMEs germs in the post-socialist period were between 25% and 40% of all private sectors in the early years of transition².

It is remarkable the experience of Poland in the last 20 years - remarkable changes in terms of the development of the SME sector, compared with many other post-socialist economies. In this respect, a major strategic priority is the need for SMEs to focus on products and services that have implications for business and innovation support policies.

After the introduction of market economy and privatization, the number of SMEs has continued to grow rapidly. In 2005, there were already two million private SMEs in Poland, whose entrepreneurs can be divided into three subgroups: a) traditional entrepreneurs, b) contractors who have been defenders and failed the political system and c) new entrepreneurs. A prerequisite was to achieve accession acquis harmonization with EU legislation, which has had a positive effect on business conditions in Poland. International competition on the Polish market and, consequently, the emergence of a wider range of goods, led to more and more demanding consumers. On the other hand, the fact that two million Poles have gone west in search for a job has forced employers to introduce wage increases in 2006-2007 on average 8 to 10 percent. Another change is the growing number of consumers who not only consider the price of goods, but also pay more and more attention to quality. Increased innovation also improves product quality.

From year to year the number of Polish SMEs participating in international networks of interest and cooperating with large corporations has been growing. Usually, such cooperation with Western companies, with economically, technologically and organizationally advanced especially European Union countries and the granting of favors for efficient export, led to a share of 70 percent of Poland's total exports. In addition, there are many business contacts, a growing number of regulations binding on all EU countries and tourism, all in favor of Europeanization. Common regulatory markets, ever-increasing international cooperation and the growing number of Western companies on the Polish market, are leading to greater similarities in the functioning of the EU economy in general and SMEs in particular. Although they are not identical, once set in motion the process cannot be stopped. Common regulations, economic cooperation within the European Union, the Polish market opening for foreign goods, and consumer demands have changed considerably the Poles. Comparatively, greater economic migration has brought to a sudden shortage of workers in many key areas and, consequently, to a considerable increase in revenues. Polish workers have become more and more expensive, thus increasing production costs. This in turn created the need for automation and computerization of production. Opening of borders between EU Member States led to a diffusion of lifestyle and consumption patterns. These processes have abolished the dilemma of “Asian” or “European road” development in favor of the latter.

In Russia, SMEs seem to face labor constraints, and institutional and legal environment distortion, which together impede their ability to fulfill their place in economic development. This is played by regional variations in the overall progress in economic reforms, in which Moscow and St. Petersburg are the leaders, while the provincial capitals, and even more small towns and rural areas lag behind. While SMEs can overcome workforce issues, short-term skills shortage is likely to hinder the development of long-term competitiveness. This is because, in the context of transition in Russia, entrepreneurs were not focused on longer-term investments needed to develop the business, but on the problems of daily functioning. However, doing so is not helped by the legislation passed, which seems inadequate to the needs of SMEs and incomplete, often contradictory and declarative in nature. In addition, if the objective is to develop on a sustainable, small basis, there is a general need to revise the tax burden and regulatory regime on the development of micro, small and medium businesses. In many Western countries, recognizing the effects of compliance costs for small firms has simplified the rules as a key element in SME policy. Attempts to do this in Russia so far have not been made effectively.

A major constraint faced by Russian SMEs in their development and employment relates to the implementation of new laws and regulations. For example, lack of coordination between regional laws and lack of regulatory control of activities of ministries branches operating in the region leave too much power in the hands of local officials for the interpretation of the law. The result is increasing corruption and creates a climate of legal uncertainty. While the legal framework is a necessary step, it is not a sufficient condition to support SME development in Russia. An important step in creating even more appropriate conditions for SME development involves the creation of institutions such as business support organizations to enable better communication between SMEs and government administration. Finally, policy makers would find an appropriate balance between the interests of employers and employees, which is a necessary part for establishing appropriate governance mechanisms for market economy needs.

There is no doubt that the development of private business in Belarus is now one of the toughest in the world, because it reflects the slow pace of reforms and a lack of commitment by government to facilitate private enterprise. A proper and effective institutionalization of small business policy is still one of the main conditions that need to be met in countries like Belarus, where productivity and sustainable development are an integral part of the private sector. The state has played an important role in fostering entrepreneurship by developing a strategy for removing barriers to business creation, establishing an environment able to facilitate private sector development and contribution to the development of appropriate market institutions, which are an important business activity in a market economy. In this context, time, efficiency and quality of the legal framework are likely to have a greater impact on the development of SME sector in the long run. Moreover, the negative effects of an inadequate framework and application of a legally deficient one can affect the development of private sector activity.

SMEs in Ukraine are defined differently depending on the sector. For example, the construction industry includes companies with up to 200 employees; other production sectors include business with 50 employees; research and development enterprises include up to 25 employees; in retail trade there are listed companies with 15 employees.

State programs to support SMEs still use another definition, namely: any physical entity registered with fewer than 50 employees and a turnover not exceeding one million Hryvnia.

In Estonia, the development of SME sector was one of the key features of the transition period. It is also clear that EU accession has involved significant changes in the operating environment for SMEs, which includes threats and opportunities. While many institutional constraints (e.g. taxation) remain a concern for entrepreneurs, it is necessary to highlight the growing importance of marketing knowledge and skills in SMEs, in order to exploit new market opportunities.

One of the challenges faced by Estonia's policy makers refers to the labor market, where it seems that there is a gap between the supply of labor available and the types of skills required by SMEs in developing countries. This underlines the priority importance of training reform, paying special attention to specific training needs of SMEs in certain sectors. Medium enterprises are an important segment of the business potential, which stimulates the ability to exploit opportunities and helps Estonia to avoid threats as a member of an enlarged European Union. The current level of penetration in foreign markets by medium-sized enterprises is low reaching only 7%.

In Romania, as well as in other former communist countries, the SME sector had to be recreated on a nearly empty field, and on remains of the past regime. Creating a favorable environment for SME development, both legally and socio-economically is a focus of the reform in our country. Their efforts have resulted in a spectacular dynamic evolution of the number of SMEs.

In former communist countries, as well as in Romania, there are the above-mentioned advantages and others related to the specific context of restructuring economies:

- As a source of increased market competition, SMEs act as the main engine of economic structural change and regeneration, promoting decentralization;
- Act as the main engine of economic, structural change and regeneration, promoting decentralization;
- Attract a large part of the workforce redundant in the restructuring industrial giants;
- SMEs facilitate the transfer of economic resources in decline, and use them for economic development;
- Training savings, made by SMEs in the field of investment, has an important role, especially in conditions specific to financial poverty transition;
- SMEs stimulate regional and rural development and reduce the negative consequences of privatization programs and / or restructuring. Statistical data show the dimensions and dynamics of a sector in full expansion whose power derives from contributions to GNP, jobs increase, and increased export.

In retrospect, the transition to market economy has meant for Romania, as well as for most former communist countries, the emergence of two processes: the privatization, i.e. the transfer of ownership of the state's existing businesses to various private individuals and the emergence of new private firms. These two phenomena occurred more or less simultaneously, but at different rates³.

Related to these two economic events since 1989, D. Voiculescu⁴ said that privatization corresponds, in fact, to an operations division; the distribution of national wealth, made more or less inspired, while encouraging business start-ups is the function construction. Authorities should have more resolutely upheld, because this leads to increased national wealth. The interesting effect of these two processes was labor market in our country. Thus, if privatization led ultimately to a decrease in the number of jobs in companies subject to the transfer of ownership (after necessary processes of successful restructuring or because of less successful privatizations that led to bankruptcy), the new private sector was the main provider of jobs for the local economy, in crisis at that time. Particular small businesses, SMEs, were therefore the main elements to absorb redundant labor force, contributing decisively to the formation of a new Romanian entrepreneurial sector.

Under the influence of these trends, public funds (both direct and indirect investment funds) will be affected as much as private funds. Semi-public markets and public investment funds, which provide for the allocation of capital funds of funds activity, such public funds are likely to see a more limited opportunity for co-investment with private funds, simply because private funds increasingly reduce the share of investment in their activities. As a result, it can not be expected that public funds will provide the same leverage as before the crisis, unless they are supplied with more capital.

Recent developments in financial markets and their impact on the SME sector brings further evidence that EU member governments ought not to lose sight of support for SMEs in their efforts to stabilize the banking system was in full global financial crisis. SMEs are the backbone of European economy, which is why the cause to take into accounts the necessary measures against the global financial crisis and implications for the SME sector.

According to IMF estimates, global economy facing its worst crisis after the Second World War, which will see the lowest growth rate in the last 60 years. Thus, worldwide, in 2009, growth rate was only 0,5%.

The global economic crisis that started in 2008 was felt, as normal, and in Romania. A lot of specialists' opinion that it is a major international economic crisis, with multiple negative effects on world economies. In this context, highlighting the impact of economic recession, domestic / international business on SMEs in Romania has a special significance. According to the National Institute of Statistics in October 2010 - March 2011, more than half of SMEs (57,58%) have low activity, 23,39% of companies operating at the same parameters, 14,80% of companies bankrupt, and 4,23% of businesses had an upward trend. A recognized fact is that in times of crisis fiscal policies should be relaxed to allow business to recover quickly, but in 2009 the Romanian government has acted contrary to introducing the flat tax and the results show that SMEs have been decimated. The purpose of this measure was that it should bring to light those small businesses who do not revenues and turned into a gray area of the economy, the problem is that their share is relatively small and actually hurts the companies that pay taxes in accordance the law in force for the activity they undertake.

It can be concluded that a considerable part of the Romanian SMEs face particular problems. As in other ex-socialist countries in the world, they faced difficult economic crisis so far, this situation is explained by the fact that SMEs are generally more vulnerable than large firms' contextual turbulence. Therefore, the input tax inclusive solution was not good news either for small and medium enterprises sector, nor for Romania's economic development because these businesses are forced to tax evasion or business restructuring to reduce costs or increase margins profit, which translates into higher prices for products and services provided.

In conclusion, the introduction of a new type of tax has led to the closure of small businesses so great, what reproach such as the introduction of taxation in the middle of the fiscal year (which brings interference in their business plans already made for the year being the fact that companies are exempt investments.

In the midst of an economic crisis, a company that invests the premises creates an economic recovery, creating jobs both within themselves and within the partner companies, injecting cash into the economic circuit.

We believe that:

- When opening a business, invested capital would be beneficial to meet the company's business plan to ensure profitability in order to remunerate the capital invested and generate cash to cover expenses necessary for proper functioning.
- Association of appropriate partners will gather around him to hold himself or skills needed.
- It is essential to understand the importance of management or management accounting in the Anglo-Saxon conception, in mastering economic phenomenon.
- It is required whenever the use of external consultants specialized needs.
- The state aid employers' organizations are required to make bank lending more transparent procedures.
- There is a need for studies of risk by commercial lending business. Under these conditions, a policy to support these enterprises, however well designed and financed would not have expected results if it is not regarded as part of a system in which small and medium enterprises are not in the best case than partners of major business units. Exclusive emphasis on "saving" of SMEs is ineffective in the absence of complementary measures to support (tax) has united large Communities, by order; ensure the functioning of small and medium enterprises.

A modern approach would have to treat SMEs as an entity not size, but as a functional entity. Such an approach introduces a classification system in three categories:

- SMEs are in a position to stop the activity, which necessitate restructuring or retraining measures;
- SMEs have difficulties and need temporary support for the crossing point of the crisis;
- SMEs engaged in a profitable activity but from reasons of the crisis, resort to measures to increase competitiveness by reducing staff.

Obviously, each category requires a different type of approach and support, which would eliminate the danger of reducing to a common arbitrary inhomogeneous mass that SMEs are in a market economy. What characterizes the modern anti-crisis programs is just trying to answer (support) of custom business entities affected by the extent of the crisis, avoiding the application of measures with too high a level of generality, that lead to disadvantage the target objective.

Competitive advantage based on cost control and process efficiency in the period ahead will be decisive. In the short term will last more than SMEs with low variability in demand and a low share of fixed costs in total expenditure? Inevitably, the economy will emerge from the crisis, but in a different configuration.

Medium and long term, employers will be interested to rethink their strategic development prospects based on new business models and consumer, whose appearance will be stimulated by the outbreak of the crisis. Romania offers still many market opportunities and access to valuable resources and cheap, and ignored before the outbreak of the crisis, agriculture is the best example.

Market operating on SMEs in Romania is more mature, competition is sharpened, now need not only initiative and willingness to risk, but in the same measure of managerial competence. We therefore hold that the solutions to strengthen the competence of management, increased professional rigor and sensible investment in long-term business prospects.

Improving the overall efficiency of the ex-socialist countries economies depends on the extent to which structural adjustment of SMEs to the new demands of competitive markets is successful. Thus, the transfer of resources between sectors has a limited contribution to national productivity growth and the main way of obtaining a better positioning in the market is small business innovation and restructuring.

3. Conclusions

It should be emphasized that each transition was different and that the countries are now at different stages in their development toward a market economy - entrepreneurship seems to have developed more quickly in countries where reforms proceeded smoothly and quickly.

As a consequence, the interest in small business research increased dramatically. For example, considerable research has been conducted in the Czech Republic, Romanian, Hungary, Poland and Slovakia due to the growth of entrepreneurship in these countries as well as to their membership of the OECD (the Organization for Economic Cooperation and Development) and various EU funding programs that have opened to researchers the opportunity to collaborate with researchers in/from Western European countries.

To summarize, we can say that in practice, business concerns in countries that share a common history of central planning are different, and there is a minority of businesses that contribute to most new jobs, and a minority is able to provide innovative economic development in post-socialist countries. This highlights the importance of policy makers' strategic thinking in the medium and long term.

We believe that the evolution of modern business world is marked by increased interdependence with the environment in which it operates; the expression of this development is represented by the increased openness of the organization, seen as a system, reflected both in terms of input (information, personnel, production) and output (goods, services), which integrates the national and international environment.

Positive effects in former communist countries, including Romania, resulting in the development of a strong SME sector, are based, in particular, on: the role as main driver of structural change and economic regeneration, arising from increased competition on the market; decentralization attracts a large part of the workforce redundant in radically restructuring industrial giants, facilitating the transfer of economic resources from declining sectors to development; training in the field of investment savings plays an important role, especially in conditions of poverty and specific financial resources transition, stimulating regional and rural development and therefore reducing the negative effects of privatization and / or restructuring programs; active contribution to the process of restoring macroeconomic equilibrium and a state of relative stability, which corresponds to a steady price in the transition period.

From those presented in this chapter we can conclude that, regardless of the classification criteria, the concept of *small* and *medium* belongs to the sphere of economic policies. From a strictly theoretical point of view, this concept should include categories such as craft business, newly created, innovative company, etc.

SMEs, even more than large companies, are influenced by their economic environment, experience showing that the development of SME sector depends on the capabilities of the market in which it operates.

Managerial and technical capabilities of SMEs worldwide are developing under the influence of economic factors, national culture, institutions, knowledge and historical factors.

The ability to build models to represent more appropriately the systems they refer to has grown considerably in recent decades both because of operational research development which offer managers more and more types of prefabricated models and due to opportunities to use an increasingly advanced calculation technique to test the validity and settlement of models.

With all these developments and facilities offered by science and technology, the SME sector activity pulses at a high intensity due to complications also progressing with time: globalization and financial crisis are widening.

After a rise in the last three decades, we can say that small and medium enterprises in the period ahead will be the key driver of economic progress, both in developed countries and in countries in transition. On the one hand, small and medium-range places such organizations at the forefront of economic development. On the other hand, the coordinates that define the new configuration of the global economy are favorable for the expansion of small and medium sector.

In future, every ex - socialist countries jurisdiction has to offer an answer to questions like: “What tax rate should be imposed on the revenues?”, “How to uphold the small and medium businesses sector?”, “What facilities should be granted to this sector?”, “How could one attract new investors or how could one make the national context more attractive for potential investors?”

In conclusion, the result of transition economies is a series of very specific environments for SME development and it represents a challenge for the theories and concepts used by academics to analyze this sector in the post-socialist countries.

Notes

¹ B. Piasecki, D. Fogel (eds.), (1995). *Regional Determinants of SME Development*, University of Lodz Publishers.

² Lageman, B., (1995). *Die neuen Unternehmer in Ostmitteleuropa: Herkunft und Rekrutierungsmechanismen*. [The new entrepreneurs in Central and Eastern Europe: Origin and recruitment mechanisms]. *Berichte des Biost*, 59. Köln: BiOst., pp.114.

³ www.mimmc.ro

⁴ Voiculescu D, (1999). "Romania's foreign trade in the late twentieth century", Journal Publishing House, Bucharest

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