

PECULIARITIES OF STRATEGY IN SMEs

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ABSTRACT

Strategy and sustainability have become important issue for organizations during the last decades. However, research discussing peculiarities of strategy and related concepts has often focused on larger companies, sometimes neglecting the specifics of small and medium-sized enterprises (SMEs). The main purpose of this study is to examine the theories, models and peculiarities of strategy in SMEs, in relation to sustainability commitment, sustainability practices and management values in SMEs. Implications concern the importance for firms and policymakers to work with sustainability issues using both internal and external perspectives.

KEYWORDS: *strategy, entrepreneurship, strategy peculiarities*

JEL CLASSIFICATION: *M10, L21, L26*

1. INTRODUCTION

Management practice at the organizational level is considered by many experts as one of the most important vectors creating efficiency and effectiveness at the level of small and medium enterprises (Ceptureanu E.G. et al., 2017a).

The level of organizational performance is dependent on the quality and professionalism of management conducted by entrepreneurs or by managers hired by them. In order for a management system to operate it is required that between the operational and decision subsystem to be a cause-effect connection and a given objective whose achievement represents the task of the system. The management system has the following properties: adaptive, self-organizing and self-regulating. Property of adaptation relates to the change of its characteristics depending on the changes that have occurred in the organization environment, accumulation and use of data and information. The property of self-organizing of the system consists in changing the organizational structure under the influence of changes that occur in its determinant factors. The property of self-regulation of the management system refers to the fact that its operation mode changes according to the changes occurring in the environment (Ceptureanu SI et al., 2017a).

The management system includes, regardless of the characteristics of the organization, several components that differentiate depending on the nature and the characteristics of the instruments used.

These components are: organizational subsystem, informational subsystem, decision-making subsystem, methodological-managerial subsystem.

Among the five managerial sub-systems there are strong interdependencies which actually ensure the normal functioning of the organization's management system.

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2. STRATEGY AND STRATEGIC MANAGEMENT OF SMES

Even though the number of small and medium-sized enterprises is the largest part of total productive entities in an economy and they make a major contribution to economic growth, they are not adequately represented in the segment of management research. Recent research has indicated that the selection of a strategy is particularly important for small and medium enterprises. This is explained by limited resources, which do not facilitate the imposition of various strategic and organizational configurations. It has long been assumed that large enterprises have all strategic options that SMEs have and their reverse would not be true (Fueglistaller and Schrettle, 2001). Strategic management applied within small and medium enterprises is not so popular, more in the case in which we regard it as a separate process, consisting of strategy formulation and its implementation, we will unavoidably find this (Stam, 2010).

Mazzucato and Parris (2015) and Hankinson (2000) highlighted the main features of the organizational configuration of small and medium enterprises in the UK and Europe. In 90% of cases the structure was extremely flexible and informal and the manager owner was considered to be "the center of a hive of bees around which employees are swarming" (Hankinson, 2000). Although in the literature these are the characteristics most often analyzed and highlighted of the small and medium enterprises, planning is the key, especially for start-ups, and lack of it can lead to a decrease in our performance. This view is confirmed by a recent study covering the relationship between performance and strategic planning. Thus, 24 empirical studies over the past 20 years have shown a positive relationship (Eggers et al., 2013) between the above mentioned factors and performance levels.

Authors like Andreosso-O'Callaghan & Lenihan (2011) showed, that surprisingly we could say, relatively few advantages that planning involves. Kalantaridis discovered that even small and medium enterprises who lack a coherent strategy have not recorded the weakest performance (Kalantaridis, 2009). We can still distinguish between small and medium enterprises which plan and small and medium enterprises which do not plan. Characteristics of the two categories will be presented in the following table:

Table 1. Characteristics of SMEs regarding planning

SMEs which plan	SMEs which do not plan
Are bigger SMEs	Are smaller SMEs
Are part of industry and commerce sector	Are part of services and production sector.
Are part of some big corporative groups	Are typically conducted by the owner.
Have a positive attitude towards strategic planning	Have a negative attitude towards strategic planning
Use strategic planning for analyzing the competitive situation of the enterprise	Do not use strategic planning for intensive objectives.

Source: authors

The explanation is in fact quite simple, it resides in the fact that too detailed analysis of opportunities would take more time, during which opportunity may not even exist. A study by Navaretti et al. (2014) showed that strategic planning in small and medium subjects of this study are based mainly on classic analysis, quantitative, short-term oriented based on analyzes on the balance sheet, costs and productivity (Haller, 2012). To the questionnaire given, 10.1% of subjects answered. Although the majority of SMEs recognize the importance of strategic planning and lack a strategic plan documented in writing, just fewer than 10% intend in future to introduce strategic planning within the enterprise. It is heavy within them because it is a dynamic activity that requires support of formal structures (Halkos and Tzeremes, 2010) and small and medium enterprises tend not to be so formal (Huynh et al., 2010). Managers rather channel their energy towards the operational side of the company, to its survival rather than on a formal planning (Nunes et al., 2013a). In small and medium enterprises these structures are missing or less contoured. It is obvious

that this strategic conduct of strategy formulation and recording it in a rigid form, which basically dictates step by step what a small and middle business would be good to do and how to act in relation to any possible scenario, is a variant that is hardly taken seriously, although the benefits would be evident mainly due to in-depth understanding of the company. For example, Peric and Vitezic defines three levels of planning in small and medium enterprises: the written, the foundation and one detailed, studies indicating that the level of planning increases with the level of sales growth of the enterprise (Peric and Vitezic, 2016).

Strategic qualitative methods are therefore seldom used in small and medium enterprises. Interestingly, enterprises run by the owner, the most important decision factor, uses fewer strategic tools compared to small and medium enterprises run by a manager (Navaretti et al., 2014). Owners of small and medium enterprises neither rationalize their strategies nor they make a serious choice of implementation tools. These changes in crisis situations (Radu et al., 2017). Balanced Scorecard is considered to be the most easy to use management tool by small and medium enterprises. This tool helps to clarify, communicate, implement and control strategy, explaining it to all parties involved in concrete terms (Reid, 2006). The image created of the owner, is that of a person extremely hard-working who struggles daily to the firm's survival, not so concerned about the strategic aspect (Hatchinson, 2000) of its management. In small and medium sized enterprises, the interpretation of information coming from direct observation is based on the views expressed by family members or by employees. In case of failure, the owner of a small and medium enterprise will not replace himself. With time it could happen that the owner no longer plays a crucial role (Eggers et al., 2013), especially since some studies have shown that small and medium-sized enterprises calling on people from exterior in their strategy implementation, have a much higher performance (Haapanen et al., 2014).

Although the number of instruments is reduced, the strategies are still developed in small and medium enterprises, this activity being carried out often as we have seen by one person, ie the owner (Vogel and Wagner, 2010), reflecting his views often subjectively and not explicitly discussed and noted although any company needs an explicit strategy (Lockett et al., 2009). As a result of a study conducted in 2009 in the form of interviews with 13 founders of small and medium enterprises in the Silicon Valley, it was found out that managers who held an entrepreneurial orientation and one oriented to customer, they had neutral or even positive attitude towards financial crisis (Eggers et al., 2013), we could say that this was due to the fact that they had to make time to focus on strategy. From our point of view, the fact that the owner has available limited time to handle small or medium enterprise that he owns is because all activities are centrally managed in the enterprise.

Entrepreneurs do not have sufficient financial resources or skills to achieve strategic management while managers of in large enterprises can call any time on professionals (Ceptureanu EG et al., 2017b). Confidence, some personal values and reciprocity are essential factors in identifying and putting a solid basis for the development of relations between small and medium enterprises, despite the existing ideas, we could say even preconceptions, that only quality of information may play an important, decisive role (Lai et al., 2016). This explains why small and medium businesses that use external financial resources, increasing their financial capacity through them (Berry, 1998) rather develop formal business plans absolutely needed by them. As such, strategic decision making is one informal, intuitive and invisible in small and medium enterprises (Love and Ganotakis, 2013).

Leaders of small and medium enterprises use cognitive maps for making strategic decisions as any leader of an undertaking. They are actually mental models that managers apply based on their own perceptions related to employees, stakeholders and industry environment. It seems that they are either "positivist", meaning "friendly" towards the various opportunities or "negativist", dominated by the presence of the danger of internal and external environment (Brinckmann et al, 2010) underlining either entrepreneurial attitude, or that conservative of small and medium enterprises (Hart and Banbury, 1994).

For small and medium enterprises the mission is rather finding and not defining its future (Nunes et al., 2013b). Even if the enterprise has realized the need to formulate a mission, it is not formalized in a document being sent both to employees and stakeholders, rather informally and to fewer people in comparison to the large enterprise.

The process of strategic management is used increasingly more often in small and medium enterprises (Huynh et al., 2010), as we have argued in the models mentioned above, although with certain reservations mentioned in the literature, is considered to be a unique process and with little resemblance to that seen in large enterprises (Huynh et al., 2010). Problems could arise when implementing strategic management that managers of SMEs are mostly afraid of are going to be further analyzed. Firstly, it would appear a loss of flexibility, the idea relying on the fear that implementing tools or strategic measures could limit the flexibility of SMEs and lead to loss of competitiveness. Another unfavorable argument would be the inefficient use of enterprise resources which are already extremely limited. The manager would waste time finding and developing strategies, precious time that could be used for operational activities of the company, which will certainly bring income immediately (Navaretti et al., 2014) and lastly, all the bureaucracy that is associated with this process (Arora and Gambardella, 2005).

Serious problems may also be encountered by a manager of small and medium enterprise if the intensity with which he scans the environment is insufficient. This is particularly true when small or medium enterprise pursues a strategy of differentiation in which the enterprise needs to increase the level of understanding of the environment and the intensity of planning and controlling of various activities, compared to the case of leadership strategy by cost (Audretsch, 2004). Reactions of SMEs to decisive changes in the environment were: development of new products, innovation at product level, innovation at the level of production process, innovation of market development, innovation in marketing, administrative innovation, which are the five types of innovation within small and medium enterprises (Delmar and Wennberg, 2010), entering new markets, internationalization, relocation of production to foreign countries, improvement of internal processes that are related to enterprise's functions as management or marketing and corporate restructuring (Ceptureanu EG et al, 2017c). SMEs do not have control over the external environment, and therefore continuous monitoring is significant, especially since any change of the external environment should not be ignored because it can affect the internal environment of the company (Caglayan and Demir, 2014).

Scenarios and risk analysis are often used in small and medium enterprises, for example, a study by Navaretti et al. from 2014 found that 24.2% of SMEs are using this strategy. The scenarios involve an analysis of the actual situation of an undertaking, and elements of forecasting are added (quantitative or qualitative). Depending on the capacity of objectivity or complexity of the environment, there are a number of forecasting techniques based on indicators, time series functions- based (Castellani et al., 2010).

Strategy formulation in small and medium enterprises is an intuitive vision, an emerging learning with perpetuity and changing character, which is based on social interaction (Holly et al., 2013). From Navaretti's study conducted on small and medium enterprises, formulation of strategy is implemented in 29% of cases by management people, in 24.2% of cases by a financial advisor (Navaretti et al., 2014). The reason for not calling on a consultant is distrust. By strategy formulation, the aim is: establishment company goals (82.5%) planning the important indicators (78.9%) and achievement of the budget (68.4%). The concept of Shareholder Value is of little relevance in the eyes of managers of small and medium enterprises. This is mainly based on perception and interpretation of environmental by managers of small and medium enterprises (Holly et al., 2013). Some research has even shown that this process is determined by the type of culture. Such a small and medium enterprise that operates in a collectivist culture will rather apply strategies aimed at cooperation (Holly et al., 2013).

Control variables that determine achievement, thus implementing a strategy for small and medium enterprises in the study conducted by Beck et al. (2005), his education (Love and Ganotakis, 2013)

age, (Lumpkin and Dess, 1996) firm's size, firm's age, independence of the enterprise, family character and the industry. McCarthy et al. (2006) suggests another control variable, namely the personal characteristics of the entrepreneur. They play an important role in selecting and managing a team, which is going to be responsible for implementing the strategy. The complexity degree will be determined by the degree of formality that may be absent, intuitive, informal or formal and by the planning process and purpose, namely the number of planes that are used (Sapienza et al., 1988). SMEs that operate in environments with an increased uncertainty (Slevin and Covin, 1997) have a much less sophisticated operational planning because these businesses are trying to allocate resources to their actions rather than thinking them (Waalewijn and Segaar, 1993). With increasing age of the enterprise, the need for formal planning decreases (Wooldridge and Floyd, 1990). This is explained by the better understanding of the environment by the manager. Due to the much closer links within the small and medium family enterprises, the need for a more sophisticated strategy implementation system disappears. SMEs which operate as subsidiaries for example have a higher level of strategic management as they are controlled by the parent undertaking.

There are several reasons why SMEs do not review such strategy in a formal manner. One reason is the lack of training and experience for understanding the importance of the process, the existence of a management team reduced and sometimes even lack of need of a strategy namely due to the smooth functioning of the small and medium enterprise, in the absence of a review process (Jones et al., 2013). Covin et al. (2006) proposed a much more accurate modified version of strategic management process in a small and medium enterprise, more comprehensive in our opinion compared to previously presented models. The model is represented by the following eight interrelated steps:

The first step is to develop a strategy for product and/or services performed to satisfy customers and/or target markets, using a concept for a product or service that is not currently on a niche market. The concept can be brand new one, in which case we are talking about a radical innovation or improvement of an existing product or service, in this case we are talking about incremental innovation. Innovation strategies are often associated with entrepreneurial behaviour, which can contribute to the increase of enterprise (Bernini and Pellegrini, 2011). In small and medium Romanian enterprises, research and innovation function is not clearly understood, perhaps because it is informal (Ceptureanu SI et al, 2017a). The concept can be developed from the experience of a person, or be generated in a moment of creativity.

The second step facilitates by scanning and evaluating of the external environment, the location of factors in the environment in which the businesses operate, which ones represent opportunities and threats, especially on the potential market and the availability of resources.

In the third stage, the internal factors relevant for small and medium sized enterprises, as well as personal assets, areas of expertise, skills and experience necessary to build a business are scanned and evaluated. The analysis of strategic factors, through the SWOT tool is the fourth step that must be followed. The decision to continue or not the business is included in the fifth stage and it depends on the feasibility of the business idea. If there is no such an opportunity, the analysis of the next steps is unnecessary (Citrin et al., 2007). The next step, step six, comprises providing a business plan that should specify very clearly how the opportunity can be turned into reality, including the mission, strategies, policies and even key managers. Business plan functions as a means of obtaining external financial support (Andersen, 2004). Step number seven is made up of plans and procedures necessary to transpose the business plan and its evaluation leads to the decisive step (1b). If actual results are lower or much higher than the anticipated results, the entrepreneur must reconsider his mission, goals, strategies, policies and programs and possibly modify the initial business plan of the small and medium-sized company (Bracker and Pearson, 1986).

In the model of strategic management process within small and medium enterprises provided by Covin, the first step is to identify opportunities in the market, either through previous experience, experiments and contracts with the university. Two other new elements to the model proposed by

Citrin for small and medium-sized enterprises, which we presented above are separate analysis of external resources (capital and expertise), of internal resources (Covin) as well as a less pronounced linear relationship between model elements (Covin).

Verreynne and Meyer (2007) have developed a model for strategic analysis in small and medium enterprises similar to strategic control within them. The model consists of five key elements. The basis of performance is divided into the measurement of market trends as product portfolio, competition, trends in production efficiency, quality and trends of financial control and management as well as net worth and liquidity. This model is closest to what specialists in strategic management defined as "the position of audit" of small and medium-sized enterprises, namely the ability to incorporate in-depth parameters described above (Vaona and Pianta, 2007). The basic potential for the development of small and medium enterprises consists of resources, both financial and human, physical and technological or market experience, expertise in product development, or relationships with external agents, accumulated over time. An important role is also the core control system, the process of decision making, organizational structure, level of formal planning, etc. The foundation of leadership includes personal objectives of owner manager, attitude towards change and leadership style. Ideas for the development of existing or future products, their development stages and plans form the foundation of the existence of ideas (Verreynne and Meyer, 2010).

The strategic orientation of an enterprise is its response to changes in environment. The more hostile or complex the environment becomes, the more successful the small and medium enterprises that have an entrepreneurial and aggressive attitude will be to increase their level of competitiveness by seeking new markets, by focusing on leadership technology and on innovation of products (Jenkins and Johnson, 1997). It should be taken into account that SMEs have a small portfolio which is managed intuitively (Nunes et al., 2013b). Due to limited influence on the environment, SMEs are particularly concerned to find new markets than to improve their internal efficiency (Hart, 1992). Thus they cannot counter the wrong decisions already taken. Following, we can try to identify the validity of these assumptions by analyzing the studies of strategies adopted by small and medium enterprises.

Nooteboom (1994) proposes three theories to explain the elements of entrepreneurial strategy, consisting of both emerging and prescriptive elements. They are destructive creation theory, in which the market's previous offers are destroyed by competition and technology; thus appearing innovative opportunities. The entrepreneur is trying to meet the higher needs of existing customers through new methods, some much more effective. A second theory is that of discovery. This is based on the idea that opportunities already exist on the market due to dramatic changes in the environment. The only difficulty lies in recognizing them. The theory of creation, represents the view that the entrepreneur must experience even through a learning process and create a new demand, that has not previously existed.

2.1. Strategic options of small and medium enterprises

Through the strategy applied, the entrepreneurs most often pursue to create a competitive advantage over competitors in a proportion of 89%. However, a share of 78% wants to remain able to maintain their level of innovation and 64% aim to reduce development costs and/or even survival (Haapanen et al., 2014). Although it was not much adopted by them, the Internet can be seen in the small and medium enterprises as a source of competitive advantage, which can diminish the gap between them and large enterprises (Idenburg, 1993).

The owner of a small and medium enterprise has basically three strategic options, as different in dynamic: stagnation, growth or exit. Some SMEs prefer to maintain their small size (Bernini and Pellegrini, 2011) by choosing the strategic choice of stagnation. If the first variant is chosen, then the owner is trying to strengthen his enterprise, keep organizational configuration and the environment in which it operates. Covin et al. (2001) appreciated that this is the case of the "classical small and medium enterprise", focused more on survival. While it is an option that many small and medium enterprises choose because it has a low risk, the risk still exists if the

environment is not so predictable and the configuration is not appropriate to organizational needs of the company. Although in the literature, the type of manager who adopts this option is characterized by some authors as being shy, other authors see in his abstention a pragmatic and sustainable attitude (Bottazzi et al., 2008). Organizational configuration is simple, generally with limited resources, whose values are based on the quality of the relationship between the owner and employees (Bottazzi et al., 2008).

The growth strategic option associated with expansion is the most challenging. Both Brews and Hunt (1999) and Burgelman and Grove (1996) found that SMEs grow faster in a predetermined period of time compared to other larger companies. The growth is viable only if the foundations of the enterprise were put on market opportunities which indicates the existence of an entrepreneurial orientation toward identifying a consumer need that has not yet been discovered (Eggers et al., 2013). In our opinion, to this option was consistently associated a clear evidence of success, therefore a possible indicator of managerial performance. It is based on a strong entrepreneurial orientation sometimes visionary, innovation and a much more sophisticated strategic planning of managers, able to exploit the opportunities of a generous environment, by continuously adapting the organizational configuration (Eggers et al., 2013; Beck et al., 2005; Ceptureanu SI et al., 2017b).

It can be understood through a more sophisticated level of strategic planning, making of budgets based on sales, production, costs, investments and liquidity. Every type of budget can be encoded by using 3 levels presented by Dess and Robinson in 1984 similar to those proposed by Floyd and Woolridge (1997) but more detailed, such as informal plans or partly written, formal plans or totally written plans, intuitive plans or plans that exists only in the minds of managers and not any planning (Peric and Vitezic, 2016). Important is that the strategy should not be regarded as an ultimate goal, but to be a sustained strategy, showing increases in revenue and profit over a longer period of time (Löf and Heshmati, 2002).

As studies of Lyon et al. in 2000 have highlighted and, this is possible because managers have higher education. In the case of small and medium enterprises of comet type, those SMEs which choose this strategic option must find a balance between financial and human resources and strategic goals set (Bottazzi et al., 2008). This small and medium enterprise exports, develops new products and operates on a strong market.

If a small and medium enterprise considers this variant, there are three conditions that must be met, but which should not be separately seen. These include: the resources of entrepreneur at the beginning (motivation, age, education, experience in management, family history); the enterprise (age, sector, location, ownership); business strategy (training, market position, support from the state, foreign investment). Growth occurs only when these components are assembled correctly. SMEs that do not grow they prove that they lack one element or the combination is not the right one (Calantone et al., 2003).

Another option is exit. It can have two meanings: either closing the company or transfer ownership to a larger enterprise, thus recovering the investment or the choice of a successor. This is the strategic option most frequently met in family enterprises (Bottazzi et al., 2008). It remains problematic because a study from 1998 showed that only 3 out of 10 small businesses survive a new generation (Bottazzi et al., 2008).

A similar categorization of the three strategies above is offered by Churchill and Lewis. They propose five steps of

If small and medium enterprises succeed in satisfying a sufficient number of customers then they move on to the next stage, namely survival (Nunes et al., 2013a). The most important thing is to generate the necessary cash flow to finance growth and satisfying the market segment on which they found them. The organizational structure is still simple, but a sales manager can be met in the organization chart. A major problem for many small and medium enterprises in this stage is finding qualified people willing to work for modest wages, often a family member being preferred. For 94% of entrepreneurs, small and medium enterprises are a component of their lifestyle (Chakravarthy and White, 2001), a study emphasizing this aspect.

The third stage is the success, in which the company's sales reached a level where the small or medium enterprise is not only profitable, but it has enough cash to reinvest. It is interesting to note at this stage if it is followed the increase or financial support of the owners. The structure is still functional, relying on entrepreneur for all key decisions. The two sub-options are disengagement and economic growth. If the strategy of disengagement is adopted, the company can follow a strategy of stability almost indefinitely, provided that environmental changes do not adversely affect the market niche they are in or adversely influence the weak management abilities, its competitive capacity being reduced. Until now, managers of functions have taken over some of the tasks of the owner manager.

Growth strategies are not pursued because either the niche market does not allow an increase or the owner is satisfied with the current size of the company. Strategic decisions are intuitive, based on personal desires and the past of the owner (Dutton and Duncan, 1987). The next secondary step is to increase. The entrepreneur is willing to risk because he has sufficient resources to invest. Strategic and operational planning is extensive and relies mostly on the owner or entrepreneurial managers. The emphasis is now more on teamwork and not on the personal conduct of the entrepreneur. Personal values and the philosophy of the founder are slowly transferred to the enterprise culture.

The fourth stage is departure. The key issues at this stage are choosing the best options for rapid growth as well as its funding methods. Therefore, small and medium enterprises plan to sell shares through an initial public offering or through a direct public offering. The entrepreneur must learn to delegate different responsibilities to a team manager or managers who now form the top management.

The functional structure should now be solid. Vertical and horizontal growth strategies are seriously considered. Now, it is important for the entrepreneur to be able to manage the transition from a small or medium enterprise to a large enterprise or to recognize his personal limits, to sell his shares or to leave the small or medium enterprise. The content of the board of directors changes from a group of relatives and friends to one composed of foreign managers with managerial experience who can help the owner. The danger faced by small or medium enterprise at this stage is the desire of owner to keep control over it, even if he does not have the management skills necessary to lead. We believe that this may explain why only a small number of small and medium enterprises made their succession plans. The last stage is that of maturity based on resources, in which the SMEs have the characteristics of a large enterprise, being recognized as an important force in the industry to which it belongs. The biggest difficulty at this stage is to maintain financial control and maintain flexibility and entrepreneurial spirit.

Other authors have shown that SMEs can grow on two axes namely Axis of products and Axis of markets, that will determine the choice of different strategic options. Increasing sales of existing products will determine the choice of the strategy of entering the market, finding new markets for existing products will have as consequence the development of markets, creating new products for markets that already exist will determine the development of products or creating new products for new markets will be followed by a strategy of diversification. Due to globalization there are new circumstances in which SMEs find themselves on a third axis, namely that of collaboration or networks (Floyd and Wooldridge, 1997). Developing relationships, namely lengthy networks with other SMEs increase the possibility of being viable and to survive. On the contrary their absence may adversely affect the firm's survival (Lai et al., 2016).

Studies that analyzed the strategies of product and that market-oriented led to different empirical conclusions regarding their influence on the performance growth, thus Lockett et al. argued that strategies based on products are more profitable for small and medium enterprises (Lockett et al., 2009). In the case of market-oriented strategies, the basic question is what strategies should be implemented to correctly position on the market? (Lockett et al., 2009).

In the same registry study, analysis were conducted to identify if there is an interdependence between entrepreneurial orientation on the market and the performance of small and medium

enterprises in Taiwan, entrepreneurial orientation of SMEs was defined as a multidimensional construct composed of innovation, risk taking and proactive attitude (Yang and Huang, 2005).

Authors like Beck emphasized in 2005 the characteristics of a strategic orientation as the existence of a defensive strategy, of an analysis of an enterprise and an orientation towards the future (Beck et al., 2005). In the study conducted by Beck, there were questioned a number of employees of small and medium enterprises in order to see if the strategic orientation affects performance. This is measured by a variety of indicators monitored for a period of five years as profits, ROE and ROA (Beck et al., 2005). Control variables used in this study were the age of employees, the level at which they work in the enterprise, occupation and time spent in the small and medium enterprise.

Adopting a generic strategy should be taken over a long period of time because such a choice is a fundamental decision for small and medium enterprises that will not change very often (Bernini and Pellegrini, 2011). We must emphasize that the strategic change is often risky and expensive.

Small and medium enterprises have a simple structure that allows them to implement the strategies they choose relatively quickly, in part this is due to the flexibility they hold (Beck et al., 2005). General strategies can hardly be pursued by small and medium enterprises (Lumpkin and Dess, 1995) due to lack of financial and economic resources necessary for the emergence of economies of scale or cost advantages (Nutt, 1986).

If we analyze the leadership strategy through cost, we see the difficulties that small or medium enterprise may encounter, mainly due to increased vulnerability, the result of continuous technological change and the strong competition on price exercised by large companies, the major problem usually occurs when the small or medium enterprise cannot cope with this competition, primarily because it focuses on lowering operational costs, decrease which is useful up to a certain threshold (Kalantaridis, 2009).

Regarding the differentiation strategy we would like to stress that small and medium enterprises, although able to innovate using creativity, without big investments, which are only limited achieved, they could face difficulties when it comes to financing an efficient promotion of the uniqueness of the products or services offered (Kalantaridis, 2009).

The transition from a strategy of cost leadership to a strategy of differentiation, for example, may require investment in quality management systems and research and development. In addition, a change in strategy may confuse consumers. For example, if a small and medium enterprise moves from a strategy of leadership through cost to a differentiation strategy, customers who are price sensitive may give up on buying products or services from that small and medium enterprise, while those customers who are willing to pay a higher price, will not be able to positively evaluate the strategic change (Bernini and Pellegrini, 2011).

Bernini shows that some studies indicate that SMEs are primarily following a niche strategy, especially through differentiation. In this research, two alternatives for differentiation for small and medium enterprises have been considered, namely product innovation and product quality. Product innovation is regarded as a particularly important strategy for the survival of small and medium enterprises, especially in dynamic environments (Bernini and Pellegrini, 2011). Previous research has shown that the strategy of differentiation through innovation and quality can create a competitive advantage. Unfortunately, not all SMEs are innovative, particularly because they have conservative managers (Bottazzi et al., 2008). The offer of top quality products is another competitive weapon for small or medium enterprise in many countries. With the widespread adoption of ISO 9000, by small and medium enterprises in Europe, quality has become a central theme for them (Bernini and Pellegrini, 2011).

Businesses in a specific industry can pursue different strategies. When analyzing small and medium enterprises with a certain age, then it might be found a particular model of choice in their strategy. Studies show that most often it appears a combination between the strategy of differentiation and cost leadership or a prospector strategy (Bernini and Pellegrini, 2011). Although investigations were rigorously designed and undertaken, due to the continuously changing competitive environment, the conditions under which the differentiation strategy and the cost leadership strategy can be

combined, there could not be unequivocally determined the effectiveness of such an association. In our opinion, such a combination could help small and medium enterprises to maintain a greater inertia and flexibility.

Sashittal and Jassawalla (2001) investigated several small and medium enterprises, finding that only few SMEs pursue a strategy through cost leadership, preferring a strategy of differentiation. Slater et al. (2006) points out that for small and medium enterprises a differentiation strategy according to the market has a greater impact on earnings than a strategy of leadership by cost (Bernini and Pellegrini, 2011) and it is therefore more often found within them.

In 2010, the analysis of 157 small and medium enterprises provided Artz et al. the opportunity to discover if there is a pattern of competitiveness in small and medium enterprises which are exporting and whether there is a link between the size of the enterprise, a certain model of competitiveness and export performance. Interestingly, it was discovered no link between size or available resources and the competitiveness model that are repeated and thus be regarded as generally valid (Artz et al., 2010).

It was believed for a long time that small and medium enterprises have a disadvantage compared to large enterprises in terms of internationalization, due to fixed costs that they have in their need to be able to learn about foreign markets, how to communicate at distance and how to negotiate with various national governments (Rogers et al., 1999). The reason that small and medium enterprises decide to enter foreign markets is to avoid competition on domestic markets (Rogers et al., 1999).

The literature increasingly mentions that not all SMEs are pursuing dedicated steps to apply their strategy of internationalization, but they are born even 'international'. Various authors use terms like "born international", "international new ventures", "global start-up", "multinational child." When compared to small and medium traditional enterprises which are not active on foreign markets, they are more focused on a particular market segment, developing products already from the initial phase for the international market (Garg et al., 2003).

Internationalization, as a strategy for SMEs, provides an incremental image, applying a model in stages (Noe et al., 2003) that enables small and medium enterprises to gradually develop their international expertise. In the first stage, SMEs will passively export, namely they will respond to orders from the outside but they will not acknowledge the existence of an international market. The second phase is already characterized by an export management in which managers or owners have as objective the achievement of sales through exports, using indirect export channels, primarily due to financial limitation. This new opportunity for small and medium enterprises marks a radical change in the orientation of the enterprise. Already in the third phase, we encounter an export department.

The key to success of this step would be to find a local partner on the foreign market with whom to collaborate. In the fourth step, small and medium enterprises become subsidiaries. Opening an export office is not an easy task because it requires that small and medium enterprises send people abroad or conduct training with local employers. The fifth stage already allows that through opening production centers abroad, the enterprise/local businesses to benefit from local advantages. The last step is when SMEs are becoming transnational.

As barriers to the decision to apply the internationalization strategy we should mention that in the view of SMEs, competition takes place only in the domestic market, moreover, penetrating foreign markets is very risky, the costs generated by this operation are high and the potential benefit - low (Shepherd and Rudd, 2014). Costs for the manager of a small and medium enterprise are not only financial but also social because of the need to travel abroad more often. Small and medium enterprises will choose, in order to limit these barriers, to export to markets that are culturally similar and geographically close (Venkatraman, 1989; Ceptureanu SI et al., 2016). Size may be seen as a barrier only in the first two stages, after that the intensity of sales may even exceed that of large enterprises (Thomas et al., 1993). If small and medium enterprises occupy a niche market in which they are leaders, they will not resort to the alternative of a strategic alliance (Venkatraman and

Ramanujam, 1987) so we can say that success on the domestic market may even be a barrier to internationalization.

Regarding the resources within SMEs, employee productivity has been considered as the most important factor of recovery in a crisis and as impediment, the technological capacity and limited access to capital (Love and Ganotakis, 2013). Gibson and Cassar (2004) argued that in the case of small and medium enterprises, there can be established seven areas of competence: overview, sales and marketing, control, organization, technical innovation, human resources and inputs.

Thus, one can say that the only real option is the niche strategy. Small and medium enterprises that focus either on skills development or on the product, service or technology are the most advanced (Kalantaridis, 2009).

Strategic alliances help small and medium enterprises to develop their essential skills, becoming more innovative by focusing on ideas and a particular concept. Limitations caused by resources are reduced, it appears new opportunities for growth and for achieving sustainable value, creation of cost advantages, of a greater flexibility and improved competitive advantage (Lai et al., 2016). Although it seems that not all SMEs succeeds to achieve a competitive advantage, because only some small and medium enterprises have an inclination to cooperate with other enterprises realizing strategic alliances and other not (Birley and Westhead, 1990).

The motivation behind achieving a strategic alliance of small and medium enterprises is that they are trying to ally with those competitors that are larger (Carr et al., 2004). If an alliance is successful then it brings an increase in productivity, thus marking the need for collaboration between small and medium enterprises (Burgelman, 1983). Formal and informal networks of small and medium enterprises can contribute to their sustainable development through both tangible and intangible benefits. It seems that certain features of the manager of small and medium enterprises should be present in order for the cooperation with other enterprises to take place (Dess et al., 1997; Bottazzi et al., 2008; Ceptureanu SI et al., 2017c), the lack of social and technical capital could also be a worthy reason to be considered (Hult et al., 2004). It could be noted the existence of a direct correlation between the resources of an enterprise and innovation capacity of the other. Although society as a whole has a considerable impact on relations between a small and medium business and another organization, be it even of large size, the literature has focused more on the impact of industry, economy and government (Harris et al., 2000).

In our view, for small and medium enterprises, the strategic management is not inaccessible from financial point of view or in terms of knowledge, but rather it appears as a competitive advantage, of course only if it is linked to all characteristics of small and medium enterprises. By correlation, we understand aligning resources with the strategic objectives of the small and medium enterprise by determining the relative priority of basic resource and the relative importance of key performance for each resource and determining the impact of each resource on the key performance (Artz et al., 2010). Small and medium businesses need strategic tools to be used very easily and to be adapted to their needs in order to achieve strategic planning at a smaller scale. The question which is justified is not if the planning is useful but, in what circumstances and for what groups of SMEs is it profitable (Artz et al., 2010)?

3. CONCLUSIONS

We appreciate that strategic management is a real challenge for both theoreticians and practitioners in the field, the challenge being highlighted by the fact that literature does not have a universally accepted definition, the facets are described using disciplines as sociology, psychology and economics. Evolution of the concept presented shows, in our view, an evolutionary path similar to the human species. The word strategy has its origins in the Greek word "strategos", being refined and theoretically grounded by Aeneas or Polybios in military practice, a favorite domain of activity in antiquity, the evolution of human society has changed the order of priorities in society, military activities being overcome in importance by the economic ones. Businesses and especially small and

medium enterprises have become true engines of progress. Thus, these concepts were taken and put into practice in the management as an absolutely natural thing.

One of the important moments in delineating these concepts was the exact delineation of the term strategic planning and strategic management, which are sometimes used as synonyms, the first in academic field and the second in the economic environment. Strategy formulation is a concept that can be used as a synonym for strategic planning, at least in the opinion of interviewed managers.

Presentation of the main stages of strategic management process revealed in our opinion, the interdependent character of these stages. Temporal limitations have led us to analyze in-depth in the case studies, only some stages, without having the opinion that a stage is more important than the other, being obvious that if one of the delicate "wheels" of the assembly is not optimally functioning, the entire system will suffer (Jones et al., 2013).

The whole mechanism starts with an analysis, a scan of the external and internal environment of the company. Although in the literature there is no consensus on the exact determination of the external and internal determining factor of a strategy, it is important that the enterprise has sufficient knowledge and skills to perceive, interpret and correctly predict the changes that take place in order to adapt to market opportunities and threats. As such, one can easily understand the multiple typologies of strategies, each one being an answer, in our opinion both to internal and external environment of the small and medium enterprises

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