DO ALL SMEs NEED RM? A MANAGERIAL PERSPECTIVE REGARDING ROMANIAN SMEs

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Abstract

Competition dynamics within the contemporary economy leads enterprises to place the customer with his needs and preferences in the center of all their marketing efforts, in order to build long term customer profitable relationships. In this context, the concept of relationship marketing attracts broader attention among business professionals and researchers alike. Relationship marketing in Romania is adopted and effectively conducted especially in the multinational companies and large organization context. The SMEs sector represents 99.7 % of the national economy and it is characterized by diversity, heterogeneity, flexibility, dynamism and a high degree of adaptability. However, the Romanian enterprises from this category tend to have a vague notion of marketing in general, and are prone to operate valuing constructs and instruments specific to transactional approach. Thus, studying the managerial perspective in the Romanian SMEs is both useful for SMEs practitioners, in terms of customer retention increase, and nonetheless for the scholars with similar pursuits in the research area.
The paper aims to explore the attitudes, perceptions and beliefs of the managers from the Romanian SMEs regarding relationship marketing concept and also to analyze in what extent this marketing optic is driven by specific features such as: enterprise size, industry, customers’ category, internal and contextual factors of enterprise environment. In this sense, the paper is structured in six sections as follow: introduction, Romanian SMEs context, SMEs marketing particularity, research methodology, findings and conclusions.

The research study makes use of both qualitative and quantitative data. Information collection for the research was conducted in the field of literature, government documents and national and international statistics. In order to generate more information regarding the attitudes, perceptions and beliefs of the managers from the Romanian SMEs towards relationship marketing concept the research study involved a focus group with some managers, representative from the point of view of: size, industry, customers, internal and external factors of SMEs. The paper reveals that the relationship marketing concept has various perspectives among Romanian managers and its using in practice is especially avoided due to the financial crisis context.

Key Words: relationship marketing, Romanian SMEs, focus group, managerial view

JEL Classification: M31

1. INTRODUCTION

As presented on the official website of the European Commission, the 23 million SMEs in the EU represent 99% of businesses and are „a key driver for economic growth, innovation, employment and social integration”. In the European Commission definition, „the category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro” (Extract of Article 2 of the Annex of Recommendation 2003/361/EC). There is a unanimous opinion on the essential role SMEs are playing in all economical, social and political structures all over the world, emphasized by management guru Peter Drucker’s statement that SMEs sector is the main catalyst for economic growth (Vladoi et al., 2010:21), or by Mr. Günter Verheugen, member of the European Commission, responsible for Enterprise and Industry – SMEs are crucial for fostering competitiveness and employment through their capacity of being an essential source of jobs and to create the entrepreneurial spirit and innovation in the EU.
An important feature of SMEs is related to the fact that they aim mainly to market niches and to those locations uncovered by the large enterprises, intensely valuing them very efficient as real opportunities (Vladoi et al., 2010:23). Other issues underlying the importance of the SMEs sector in any country’s economy refer to its capacity to generate most of the GDP in any country and to be an important contributor to the country’s budget.

2. ROMANIAN SMEs CONTEXT

The SME sector of Romanian economy has known a constant development in the last twenty years. After the Romanian revolution in the 1989 and the fall of communism, the SME’s were reported to be the backbone of Romanian economy. A recent study showed that, in the year 2008, a total of 661,990 companies, representing 99.7% of the total companies on Romanian market, were categorized as SME’s (Nicolescu, 2009:35). In the same time, the characteristics of SME’s in Eastern European countries are slightly different than that of Western European economies. Smallbone and Welter (2001:253) note that SME’s in Eastern European countries need to be implicated in at least three areas of change: a mentality change from state owned to private ownership, a transition from centralization to decentralization and the creation process of new institutions that aid SME’s in acquiring business marketplace maturity.

In a recent study of the emergence of entrepreneurship and SME’s in the Eastern Europe, the authors (Vaduva et al., 2005:285) identified some distinctive characteristics of Eastern European economies in transition. In order to become more competitive on the local and global market, Eastern European SME’s need to adopt certain characteristics that are identified in companies over the world. In the same time, because of the limitations, the lack of resources and the adverse competitive environment, SME’s need to develop suitable and appropriate management and overall business competencies (Carson and Gilmore, 2000:268): innovation, diversity, heterogeneity, flexibility, dynamism and a high degree of adaptability. Innovation represents one of the most important characteristics of a modern SME and continuous innovation has the ability of offering important capitalization of market opportunities (Clayton and Raynor, 2003:120). On the Romanian market, from the total of 661,990 SME’s, 59.11% are in areas of services or commerce (Nicolescu, 2009:120). The innovation of services is different from the innovation of tangible products (de Brentani, 2001:173) and SME’s need to adopt certain characteristics: dynamism – customers needs and wants are dynamic and easily changed, thus SME’s need to adapt to the new market reality; flexibility – companies need to be flexible and adapt to the market...
need in order to offer a tailored service to its customers (Avlontis et al., 2001:235); and adaptability – companies need not only to adapt the product or service offered to the new realities of markets, but need to constantly improve the internal policies and procedures in order to deliver a quality product or service.

3. SMEs MARKETING PARTICULARITIES

Marketing competencies are essential to SMEs (Carson et al., 2000:1) particularly relational marketing competencies due to the nature of the environment most SMEs are operating into. Typically SMEs face fierce competition, adverse conditions and severe resource limitations.

Commonly agreed principle within literature is that fundamental marketing principles are generally applicable for large enterprises and SMEs (Reynolds, 2002:191). Marketing within SMEs signaled a series of challenges and limitations in the last several decades, as such this field proves to be one of the most dynamic marketing related areas of research and interest both for scholars and practitioners. Literature is not providing a specific definition for SMEs marketing, while it records that its evolution has been stagnant and was a mere adoption of the classic marketing models tailored to large companies (Chaston and Mangles, 2002:15). A common denominator for marketing function regardless of organization size is that customer is to be the focal point of the overall activities, begin and end with the customer in mind.

With respect to SMEs characteristics that are posing a direct influence on their marketing overall activity one needs to take into account that SMEs often face obstacles that are named in the literature as “liability of smallness” (Aldrich and Auster, 1986:178). These are related to their size, resource limitations, environment in which operate, style of the entrepreneur/manager and various constraints impeding to conduct marketing structured activities (Raju et al., 2011:2). First of all, most SMEs tend to be intrinsically more innovative and adaptable; secondly, such smaller firms are in closer contact and closeness with customer; thirdly, pose a greater propensity for action. In opposition with large multinational companies SMEs are differing to a great extent in terms of resources, that can be summarized, as follows (Gilmore et al., 2001:7): “limited resources (such as finance, time, marketing knowledge); lack of specialist expertise (owner-managers tend to be generalists rather than specialists); and limited impact in the marketplace”. Other limitations may refer to lacking adequate assets, capabilities, and information (Raju et al., 2011:2). A key distinctiveness of SMEs relies on their ability to develop unique strategic resources resulting from their specific integration of various elements (information processing, knowledge,
responsiveness to market) although their resourcefulness is a limited one vis-à-vis larger competitors. On the other hand in the incipient phases SMEs are also pressured by the “liability of newness” which often causes a series of small and medium sized venues to terminate their activity in a very early stage after commencement (Stinchcombe,1965:173). This series of specific characteristics and differences versus large organization are resulting in specific marketing processes and forms of implementation for the SMEs. Due to such inherent characteristics related to size, stage of development or practices of entrepreneur/owner-manager SMEs’ marketing activity is often a haphazard or informal in nature (Carson and Gilmore,2000:4). Most SMEs industry wide is lacking a full-time marketing department, a marketer or planned marketing activity. Therefore it can be underlined as a common characteristic that SMEs’ marketing activity is mostly unstructured and reactive to the market signals in most cases. Moreover, it is to be mentioned that general manager/owner is a generalist, rather that a one field specialist, who may have initially brought technical competence to the organization. This person will generally face a broad scope of decisions, including those marketing related. Consequently to these SMEs traits and their management style, the nature of marketing decision making process is to be noted, as most marketing related decisions are not made in isolation from other business functions and are not founded solely on market signals. Given uniqueness of SMEs, this process is always influenced by the complex nature of the SMEs’ environment. Nonetheless skills and mechanisms required for effective decision making process in large corporations or conventional marketing will greatly differ from the ones found at SME level.

When it comes to marketing activities and practices of the SMEs, one of the most common is networking (Gilmore et al.,2001:5), or a mix of transactional and relational marketing, interaction and network marketing (Brodie et al.,1997:390). Marketing practice and actions of most SMEs are significantly influenced by the inherent existence and usage of the owner/manager’s “network” (personal contact networks, social networks, business networks and industry and marketing networks). As previously shown, marketing related practices have to do with innovation, promotion and even branding in some cases (Merrilees et al.,2010:2). Other specific SMEs marketing current practices are related to an increased need for accurate, analyzed, processed and specific information. This need further implies time, manpower and expert skills resources. Corresponding to their needs, growth stage fierce competition, SMEs need such information, however in spite of increased availability and processing capacity versus two decades ago, smaller firms cannot match large organization when it comes to information gathering,
analysis and dissemination. However SMEs managers/entrepreneurs can greatly benefit from a set of key variables and indicators for their sectors and company with regard to sales, marketing related activities (Mihoc et al., 2010:721).

4. RESEARCH METHODOLOGY

The qualitative research was conducted during December 2010 – February 2011 using the focus group discussions with managers from Romanian SMEs. Three focus groups involving between 7-8 participants took place in a conference room within a hotel located in Bucharest. Six of the participants (managers) were women and sixteen were men. Regarding the selection of the participants the following criteria were taken into consideration (see table 1):

- the location of the SME (Romanian cities: Brasov, Bucharest, Buzau, Cluj-Napoca, Constanta, Craiova, Iasi, Medias, Pitesti, Ploiesti, Slatina, Timisoara);
- the size of the SME:
  - micro-enterprise (1-9 employees; turnover ≤ € 2 million or balance sheet total ≤ € 2 million);
  - small enterprise (10-49 employees; turnover ≤ € 10 million or balance sheet total ≤ € 13 million);
  - medium enterprise (50-249 employees; turnover ≤ € 50 million or balance sheet total ≤ € 43 million);
- the activity field (consulting industry; education services; electronic industry; food industry; health industry; IT industry; tourism industry, etc.);
- the type of customer they serve – acting on B2B and/or B2C markets.

Each of the three focus groups lasted between one and two hours and was carried out by a moderator and an assistant moderator. The participants were encouraged to talk openly and they were assured regarding the confidentiality of the gained information. All discussions were recorded and transcribed. In the beginning the collected information were interpreted by each of the researches and afterwards took place group discussions between the researches (ensuring researcher triangulation). The aim of the focus group discussions was to identify the perception of the Romanian managers regarding the relationship marketing activity: do all types of SMEs need a relationship marketing approach? Which is the main reason to decide for or against a relationship marketing strategy? The discussions were conducted from the general to particular. They started with a general approach of the marketing concept and activity within the Romanian
SMEs and reached through well-directed questions specific details regarding the relationship marketing activity.

Table-1: Information regarding the selected SMEs

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of the enterprise (encoded)</th>
<th>Location</th>
<th>Size of the SME</th>
<th>Type of activity</th>
<th>B2B and/or B2C markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Samxx</td>
<td>Alba Iulia</td>
<td>Medium</td>
<td>production of cloths</td>
<td>B2B</td>
</tr>
<tr>
<td>2</td>
<td>Astxx</td>
<td>Brasov</td>
<td>Micro</td>
<td>commerce with auto components</td>
<td>B2B</td>
</tr>
<tr>
<td>3</td>
<td>Mobxx</td>
<td>Brasov</td>
<td>Small</td>
<td>furniture production</td>
<td>B2B &amp;B2C</td>
</tr>
<tr>
<td>4</td>
<td>Bevxx</td>
<td>Bucharest</td>
<td>Micro</td>
<td>web design</td>
<td>B2B</td>
</tr>
<tr>
<td>5</td>
<td>Carxx</td>
<td>Bucharest</td>
<td>Micro</td>
<td>rent a car</td>
<td>B2B&amp;B2C</td>
</tr>
<tr>
<td>6</td>
<td>Enexx</td>
<td>Bucharest</td>
<td>Small</td>
<td>production of equipments for green energy</td>
<td>B2B&amp;B2C</td>
</tr>
<tr>
<td>7</td>
<td>Medxx</td>
<td>Bucharest</td>
<td>Small</td>
<td>health services</td>
<td>B2B&amp;B2C</td>
</tr>
<tr>
<td>8</td>
<td>Modxx</td>
<td>Bucharest</td>
<td>Micro</td>
<td>online commerce with clothes</td>
<td>B2C</td>
</tr>
<tr>
<td>9</td>
<td>Luxxx</td>
<td>Buzau</td>
<td>Micro</td>
<td>online flower shop</td>
<td>B2C</td>
</tr>
<tr>
<td>10</td>
<td>Getxx</td>
<td>Cluj-Napoca</td>
<td>Micro</td>
<td>IT – soft development</td>
<td>B2B</td>
</tr>
<tr>
<td>11</td>
<td>Basxx</td>
<td>Cluj-Napoca</td>
<td>Micro</td>
<td>Consulting</td>
<td>B2B</td>
</tr>
<tr>
<td>12</td>
<td>Crixx</td>
<td>Constanta</td>
<td>Micro</td>
<td>pastry shop</td>
<td>B2C</td>
</tr>
<tr>
<td>13</td>
<td>Resxx</td>
<td>Constanta</td>
<td>Small</td>
<td>supermarket (food commerce)</td>
<td>B2C</td>
</tr>
<tr>
<td>14</td>
<td>Dinxx</td>
<td>Craiova</td>
<td>Small</td>
<td>Catering</td>
<td>B2B</td>
</tr>
<tr>
<td>15</td>
<td>Smxnx</td>
<td>Craiova</td>
<td>Small</td>
<td>private kindergarten</td>
<td>B2C</td>
</tr>
<tr>
<td>16</td>
<td>Evexx</td>
<td>Iasi</td>
<td>Micro</td>
<td>events services</td>
<td>B2B&amp;B2C</td>
</tr>
<tr>
<td>17</td>
<td>Staxx</td>
<td>Iasi</td>
<td>Medium</td>
<td>production of industrial equipments</td>
<td>B2B</td>
</tr>
<tr>
<td>18</td>
<td>Relxx</td>
<td>Medias</td>
<td>Micro</td>
<td>Bookshop</td>
<td>B2C</td>
</tr>
<tr>
<td>19</td>
<td>Ricxx</td>
<td>Pitesti</td>
<td>Micro</td>
<td>Farmacy</td>
<td>B2C</td>
</tr>
<tr>
<td>20</td>
<td>Regxx</td>
<td>Ploiesti</td>
<td>Micro</td>
<td>commerce with electronic components</td>
<td>B2B&amp;B2C</td>
</tr>
<tr>
<td>21</td>
<td>Linxx</td>
<td>Slatina</td>
<td>Micro</td>
<td>translation services &amp; language courses</td>
<td>B2B</td>
</tr>
<tr>
<td>22</td>
<td>Valxx</td>
<td>Timisoara</td>
<td>Medium</td>
<td>Construction</td>
<td>B2B</td>
</tr>
</tbody>
</table>

5. FINDINGS

Selected enterprises belong to different fields of activity, address to different market segments and have different sizes (considering employees number). Information gathered demonstrate that there is a tendency to adopt a relationship marketing approach especially within the enterprises that address to B2B and/or B2C markets and that belong to the services sector and to the production of industrial equipments – new technologies sector. Innovation involves on one hand the customer’s integration and on the other hand the supplier’s integration. The
decision to adopt a long term orientation, an “opening” to customers, suppliers and community is based especially on the individual managerial perception regarding the marketing concept and the marketing activity. The main reason set forth by the managers for the growing importance paid to the relationships with stakeholders was the competition that convinced them to practice a better customer orientation through a higher quality of the products and/or services that they offer. And “the quality begins, of course, with the raw materials provided by the supplier” (manager Mobxx). Similar enterprises (same dimension and activity field) implement different marketing strategies and instruments. An overview regarding the gained results it can be offered by table 2.

Especially the medium-sized enterprises hold a marketing department with appropriate qualified personnel. Within the micro- and small-sized enterprises the person responsible for the marketing activity performs also other tasks specific to the purchase department, sales department or human resources department. A real marketer position is held just in cases when the specificity of the enterprise activity requires a better promotion on the market of the offered products and/or services. Unfortunately, managers think that “anyone can perform marketing” (manager Crixx). The main obstacle they meet is the small budget that they have to allocate to the marketing activity especially on account of the global financial crisis that caused significant less revenues and liquidities for the companies and it is more difficult to get bank loans “Customer orientation becomes compulsory for each company that intends to remain competitive on the market under the circumstances of a tougher competition, where each concept or product is easily imitated. Marketing means a long term investment, but a serious problem is met when the financial resources are lacking or are impossible to obtain. […] Major difficulties we meet also in the qualification and training of our personnel…” (manager Staxx).

Table-2: Gained results regarding the relationship marketing activity of the selected SMEs

<table>
<thead>
<tr>
<th>No</th>
<th>Enterprise Name (encoded)</th>
<th>1</th>
<th>2</th>
<th>3</th>
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<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Samxx</td>
<td>↑</td>
<td>↑</td>
<td>↑</td>
<td>↑</td>
<td>↑</td>
<td>↑</td>
<td>↑</td>
<td>↑</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>2</td>
<td>Astxx</td>
<td>↑</td>
<td>→</td>
<td>→</td>
<td>↓</td>
<td>→</td>
<td>→</td>
<td>→</td>
<td>→</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>3</td>
<td>Mobxx</td>
<td>↑</td>
<td>→</td>
<td>→</td>
<td>↑</td>
<td>↑</td>
<td>→</td>
<td>→</td>
<td>↑</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>4</td>
<td>Bevxx</td>
<td>↓</td>
<td>↑</td>
<td>↑</td>
<td>↓</td>
<td>↓</td>
<td>→</td>
<td>→</td>
<td>↑</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>5</td>
<td>Carxx</td>
<td>↓</td>
<td>↑</td>
<td>↑</td>
<td>↓</td>
<td>↓</td>
<td>→</td>
<td>→</td>
<td>→</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>6</td>
<td>Enexxx</td>
<td>↑</td>
<td>↑</td>
<td>↑</td>
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<td>↑</td>
<td>↑</td>
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<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>7</td>
<td>Medxx</td>
<td>↑</td>
<td>→</td>
<td>→</td>
<td>↑</td>
<td>↑</td>
<td>↑</td>
<td>↑</td>
<td>↑</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>8</td>
<td>Modxx</td>
<td>↑</td>
<td>↓</td>
<td>↓</td>
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<td>↓</td>
<td>↓</td>
<td>↓</td>
<td>↑</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>
The tools used to gain customers loyalty, to win new customers and regain lost customers are different from company to company and depend mainly on the specificity of the enterprise activity: “all the entrepreneurs would like to offer their customers loyalty cards [...] but they have to understand that the customer loyalty cards are not suitable for all kinds of activity. Think twice what you want to offer and choose the proper solution adapted to the context! We work with four customers on the B2B market. We prefer visits to our customers, we integrate them in all stages from the design (projection) until the development of the soft and we try to keep them in the long run through quality that we offer, through performance and curiosity” (manager Getxx).
“The contemporary society demands both a physical and a virtual presence of the company on the market. Almost all enterprises have a website and a database with customers, suppliers and partners” (manager Basxx). Regarding the degree in which the database is used within the marketing activity, just the enterprises which practice online business mainly benefit from its advantages, the rest of the companies make use of it “occasionally, in order to send catalogs/newsletters to the customers” (manager Medxx). None of the enterprises uses a CRM soft which is considered to be “extremely expensive under the circumstances in which we hardly afford not to have losses” (manager Samxx).

Relating to the degree in which managers from Romanian SMEs are ready to form clusters or strategic alliances, it can be noticed that they understand the benefits brought by cooperation: “[…] when you can’t gain alone a victory over the competition, you have two choices: either to build alliances with proper partners or to become allied with it [competition]. The present means networking and cooperation” (manager Enexx).

6. CONCLUSIONS

The added costs implied by implementation of marketing function within SME needs to be compared and evaluated versus potential outcomes of an elevated level of risks and uncertainty generated by current situation. In comparison with the past years, managers do understand much better the role of the marketing activity, which is no longer considered to be an unnecessary luxury but rather a prerequisite condition to survive in the long run on an extremely competitive market, even if entrepreneurs face nowadays financial problems caused by the global financial crisis and by the fiscal measurements taken under these circumstances.

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