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## Article

# Romanian SMEs internationalization in the light of internal capabilities and external conditions : a secondary data analysis

Management dynamics in the knowledge economy

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## **Romanian SMEs Internationalization in the Light of Internal Capabilities and External Conditions. A Secondary Data Analysis**

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**Abstract.** *The topic of small and medium-sized enterprises (SMEs) within the framework of the internationalization phenomena has often hewed the paths for many conceptual and empirical analyses all the more so as the global environment has pushed smaller actors out of their regular habitat. Issues such as the support of SMEs innovative capabilities, of knowledge sharing mechanisms and collaborative networks via cross-border operations or as the thorough adjustment to the new market conditions have sprung as pivotal concerns for both academics and practitioners interested in business development, performance, innovation and effectiveness from a myriad of perspectives. Giving credit to these research and real-life priorities, the current paper aims to discuss different facets of the SMEs internationalization process, laying emphasis on their internal capabilities and external conditions. The empirical undertaking relies on a secondary data analysis which covers the facts and figures comprised by European official reports. The focus is on the Romanian SMEs internationalization variables which are descriptive of the current state of cross-border dynamics. The findings advance that Romanian entrepreneurs and SMEs have been supported in the recent years by a series of European and national governmental initiatives, yet many additional measures and facilitation instruments are needed to properly improve their overall performance on international markets.*

**Keywords:** *small and medium-sized enterprises (SMEs); internationalization; knowledge; capabilities; secondary data analysis.*

### **Introduction**

The analysis of the state-of-the-art in the case of small and medium-sized enterprises (SMEs) in terms of adaptability and agility often leads scholars to the conclusion that organizations which “manage organizational and individual knowledge better will deal more successfully with the challenges of the new business environment” (Handzic, 2006, p.1). A good sharing mechanism among the members would foster and propel an adequate organizational system for innovation, performance and welfare at all levels and for all the involved actors (Kmieciak & Michna, 2018; Vătămănescu & Alexandru,

2018). Other authors (Chen et al., 2010; Lee et al., 2013; Wang & Lin, 2013) have contended that knowledge sharing is a catalyst for the organizational capacity to absorb relevant information about the overall environment, for its ability to consistently learn and to garner systemic benefits, all these triggering a wise adjustment to the socio-economic conditions and a more rapid innovative capability.

Over the past years, both academic studies and real-life examples have iterated the need for consistent frameworks that can assist SMEs managers to make the best of knowledge strategies and practices, methodologies and procedures, techniques and tools, processes and operations in relation to their specific context, especially in view of the internationalization strategies. In this vein, a growing number of conceptual and empirical contributions have commenced to focus on the benefits of capitalizing intangible assets within SMEs and, simultaneously, to uphold the idea that we deal with a poorly understood area of scrutiny to date (Edvardsson & Durst, 2013; Bennet et al., 2015; Le, 2017; Ferraris et al., 2017; Vrontis et al., 2017; Vătămănescu, Gorgos, & Alexandru, 2018). Handling all organizational processes with a higher level of professionalism and proactivity springs as a necessary condition in order to thrive in a very dynamic environment.

Current investigations (Hutchinson & Quintas, 2008; Gabrielsson et al., 2008; Vătămănescu et al., 2016, 2017a; Gorgos, Alexandru, & Vătămănescu, 2019; Vătămănescu et al., 2019) have urged that SMEs lack the proper resources to substantively thrive abroad, especially in terms of material and financial assets, international performance depending on a wide spectrum of factors which should be simultaneously capitalized. Alongside the deficit of material and financial resources, the lack of managerial competence and know-how in international settings emerges as a solid constraint even though adopting a proactive attitude towards international opportunities is liable to generate significant and multifold competitive advantages (Frazier et al., 2009; Vătămănescu, Gorgos, & Alexandru, 2018). The managers' work experience, educational ground and experiential learning increase the right tracking of opportunities (Dimitratos et al., 2012; Volery & Mazzarol, 2015; Choongo et al., 2016; Çakmak & Akgün, 2018). Here, governmental agencies have the power to implement - in the education system - classes supporting the development of managerial skills and channel the learning opportunities to international market for engaging SMEs in functional upgrading (Navas-Aleman & Guerrero, 2016).

In spite of the existing opportunities and solutions, SMEs still lack resources, so they are determined to place more emphasis on internal networks, informal cooperation, which may trigger innovative organizational structures (Giannacourou et al., 2015). It is noteworthy that, in general, managers' actions are more reactive to events rather than proactive: when some enterprises take action for risk management, it is an extension to new strategies and not an action in the sense of better handling future events (Wedawatta et al., 2011).

Conflating the aforementioned directions, the present scrutiny is intended to approach the issue of SMEs internationalization through the lens of the actual state-of-the-art apposite to the smaller organizational actors and their current limitations. The empirical endeavor addresses the Romanian SMEs' level of internationalization as discussed by several relevant European official reports. In this sense, the remainder of

the paper was structured as follows: the first section consists of a preliminary theoretical framework; the second section introduces the employed methodology, whereas the final part brings forward the secondary analysis of the selected data.

### **Theoretical framework**

The knowledge-based economy has pushed SMEs towards new business models and managerial strategies which should acknowledge the paramount function of knowledge creation, acquisition, processing, harnessing, storage, transfer, dissemination, and thus of the multifaceted knowledge management. All these processes account for the spring of innovation and further for sustainable competitive advantages, overall organizational growth and development (Kim & Lui, 2015; Le, 2017; Vrontis et al., 2017; Vătămănescu et al., 2016, 2017a,b). As advanced by OECD (2017, p.7), innovation in SMEs is very much dependant on “knowledge spillovers, access to networks and opportunities to partner with other players”.

As SMEs often lack resources, managers are determined to lay more emphasis on the development of social and business networks meant to ensure environmental-friendly frameworks for international partnerships. They strive to boost the usage of intangible assets and knowledge sources as a basis for future collaborations. Interorganizational alliances of business collaborators is liable to support the actors’ innovative capability and an improved decision-making process by integrating the newly-acquired knowledge via various methods and techniques into the existing acumen (Kmieciak & Michna, 2018). In this front, attaching importance to the value of strong relationships in the internationalization of their organizations comes forward as a suitable knowledge strategy and as a pertinent compensation for the shortage of material and financial resources (Vătămănescu et al., 2019). Here, Maldonado-Guzmán et al. (2017) underscore the scarcity of SMEs’ resources in strategic areas (i.e., management, manpower, and finance), but at the same time, a higher degree of flexibility and less level of formalization are deemed to catalyze innovation and effectiveness.

In spite of their flexibility, most of the SMEs do not possess effective management systems and tools to foster sustainable outcomes (Garagorri, 2016; Pauw & Chan, 2018), all the more so as one of the greatest challenges stems from the difficulty to access and exploit the best practices in handling the existent knowledge and to explore new knowledge repertoires available in international ventures (Vătămănescu et al., 2019). These inconveniences were previously captured by OECD (2013) which underlined SMEs’ challenges related to how, when, where to identify and connect to suitable knowledge actors and sources at different levels (i.e., local, national, global) and to develop the needed skills, management strategies and practices for the selection, organization and coordination of the external knowledge with the in-house context.

Given these aspects, in the report on *Enhancing the Contributions of SMEs in a Global and Digitalised Economy*, OECD (2017) elaborated on the areas where knowledge gaps occur and, therefore, a closer examination and prompt actions are required. Here, the report discusses the external and internal constraints of SMEs in today’s ecosystem, most of them referring to the “access to strategic resources, such as skills, knowledge

networks, and finance, and on public investments in areas such as education and training, innovation and infrastructure” (p. 5). A somehow connected picture is captured by the European Commission (2018a), in the *Annual Report on European SMEs 2017/2018*, where the lack of knowledge at different organizational levels (including management) poses substantive obstacles for SMEs; moreover, SMEs’ incapacity to capitalize knowledge in an articulate manner raises the awareness of its importance and of the benefits yielded by adequate training modules/ programs of knowledge management.

The ability to access strategic knowledge resources and to properly harvest them through efficient internal structures, methodologies, procedures, tools emerges as a *sine-qua-non* condition of SMEs competitiveness and forms the basis for multifold activities such as decision-making, strategic planning, critical thinking and problem solving, dynamic learning and pro-action, innovation, etc., as clearly indicated by studies and supported by empirical evidence (Kim & Lui, 2015; Le, 2017; Kianto et al., 2018). The exigency for improving and developing the knowledge management strategies within SMEs is even more stringent as they regularly fall short to establish solid collaborations with education and training institutions and this shortcoming reflects itself in the low leverage of organization-level learning strategies, of managerial practices and methods related to knowledge management, as also highlighted by OECD (2015). This is one of the reasons why OECD (2017) advances the imperative for “a cross-cutting perspective on SMEs” which also covers policies “to foster innovation, sustain business dynamism, support skills development...” (p.17), including here the development of managerial skills and expertise to efficiently handle the knowledge content, process and context with a view to create or add value to the organization.

In this context, the entrepreneurial agility describes the alternation of traditional activities with creative exploration activities, with a minimum fray (Garagorri, 2016). SMEs managers have not been particularly interested in finding strategies to run against environmental problems even if their businesses have been confronted with these events. But accepting and applying usual rules and practices to ensure the continuity of their activities is not sufficient anymore for meeting future difficulties, with consequences in the continuity of the business (Wedawatta et al., 2011). Managers’ approach to opportunities is different now and the exploration of international entrepreneurial culture characteristics in terms of risk attitude, networking propensity, and market orientation may be associated to possible illuminating mechanisms (Vătămănescu, Alexandru & Gorgos, 2014; Dimitratos et al., 2016). The managerial culture characteristics provide valuable insights for managers so as to find organizational attributes for performing international activities. The empirical findings of Dimitratos et al. (2016) suggest that individual characteristics of the SMEs managers contribute to the diagnosis outcomes of the internationalization dimension.

In this regard, a study conducted by Vătămănescu et al. (2014) concluded that younger managers prefer a more radical form of internationalization which does not take into account the psychic distance variables (including here cultural distance, individual and national values and preferences, etc.), while more mature managers are interested in a step-by-step approach, in progressive ventures which allow them to get familiar with

new markets and socio-economic landscapes. Additionally, the education fields of the managers (e.g., technical or business studies) did not retrieve any significant results regarding their internationalization perspectives.

Partnerships with strategic actors unfold the ability to increase performance: they bring expertise and a qualitative management from the private sector and establish procedures that have not been applied before internationally or nationally and reduce other environmental risks (Pauw & Chan, 2018). Managers' actions are influenced by perceived uncertainty and their perceptions and expectations are guided towards reducing environmental uncertainty, choosing formalization and innovation for their enterprises.

The evaluation of the uncertainty regards the examination of different sectors: market, government, suppliers, and competitors (Giannacourou et al., 2015). This can be achieved via building awareness, mapping alternative scenarios and expected outcomes, appraising key factors and critical steps, capitalizing on knowledge assets and resources, and eventually via elaborating and implementing the solutions that have the best potential to generate business value. All these facts aim at putting into the hands of SMEs managers the conceptual foundation and practical tools liable to unleash the power of knowledge in their enterprises.

## Methodology

The current endeavor is intended to scrutinize the state-of-the-art of SMEs internationalization with an emphasis on their internal resources and capabilities. The empirical focus is on the Romanian SMEs' level of internationalization as depicted by European official reports. The available statistics presented in official documents (the Annual Report on European SMEs 2017/2018. The 10<sup>th</sup> anniversary of the Small Business Act, the Small Business Act for Europe (SBA) EU-28, and the Small Business Act for Europe (SBA) Romania 2018) were taken into consideration in order to perform a secondary analysis of the facts and figures.

The first research objective of the analysis was to mainstream the level of internationalization of Romanian SMEs, mostly by referring to their exporting activities. The second objective aimed at identifying the factors that drive or limit the export activities of EU-28 SMEs. The third research objective envisaged to address the international performance of the Romanian SMEs through the lens of the Small Business Act, with a focus on the dimensions *Skills & Innovation* and *Internationalization*, in order to understand the internal specificities.

## Secondary analysis of available data

SMEs growth is a priority for the EU and a number of measures aimed at improving the approach to entrepreneurship and facilitating the good functioning of SMEs (through simplification of the regulations, reduction of the barriers to development, and facilitation of the access to financing and the internal market) have been adopted, starting with *"Think Small First"*. A *"Small Business Act" for Europe* (European

Commission, June 25<sup>th</sup>, 2008). Ten years later, and after a rather turbulent time for business during the economic crisis, SMEs growth in the EU is a fact, yet differences between countries are still stark.

According to the *Executive Summary of the Annual Report 2017-2018* (DIW ECON, July 27<sup>th</sup>, 2018), while the resurgence of EU-28 SMEs continued between 2008 and 2017, marking a 14.3% increase in value added and a 2.5% increase in employment, Romania did not fare as good: in 2017 the employment level in SMEs was below the one in 2008. The same report argues that since 2012, EU-28 SMEs exports of goods have increased by 20%, SMEs counting up to 88.3% of all EU-28 exporting enterprises, even though in 2016 around 80% of these exports were only intra-EU trade and made by a rather small number of regular exporters. These results lead us to believe that a significant number of Romanian SMEs might still have much work to do before being able to compete as equals with foreign players in the single market, although obvious progress has been recorded (Hope, 2018).

### ***The level of internationalization of Romanian SMEs***

There are a number of ways in which an SME could expand internationally: export or import goods and services, invest directly on foreign markets, attract investors or become a part of a national value chain aimed at conquering foreign markets or becoming part of a global value chain, working together with partners in other countries for R&D, licensing and franchising services or products (DIW ECON, July 27<sup>th</sup>, 2018). We decided to focus on exports as these represent a direct means of measuring the internationalization level, are relatively easier to measure as compared to other direct and indirect means and are a type of activity which can be performed by a relatively large number of SMEs, in numerous domains.

For Romania in general, as compared to EU-28, the context for internationalization seems to have been beneficial between 2009 and 2017: the domestic demand increased with 45.6%, twice as much as the EU-28 median of 21.1% (Hope, 2018, p.82). Regarding exports, Romania had in 2015 an average value per SME to EU-28 average export value of 0.9, the same as Italy, Sweden and the United Kingdom (EUROSTAT in Hope, 2018). The same report shows that in 2016, 81% of Romanian SMEs exported to EU-28 more than the median of 69% reached by the other EU-28 countries, Romania being among the four countries, together with Finland, Poland and Portugal, where SMEs have significantly increased the rate of their exports since 2008, in comparison with large enterprises (p.86). However, the majority of SMEs in EU-28 do not export directly but may participate in other ways in international trade (p.90).

### ***Factors that support or impede the internationalization of SMEs***

A number of key factors seem to increase the likelihood that an SME would export products (DIW ECON, July 27<sup>th</sup>, 2018): being part of a group, having a longer history, a large turnover, and the ambition to further develop, selling business to business/ business to organizations, being active in the goods sector, and being innovative. However, the report further shows that many SMEs refrain from entering new territory because they lack understanding of the target market (including the legal and regulatory environment) or because they do not have the capacity to master the risks

related to operating abroad. The lack of partners, specific training and financial support were also mentioned as needs to be addressed. Thus, the internal barriers seem to have a significant impact on exports.

The information presented above is similar to the results of a survey conducted in June-July 2018 on SMEs associations and export promotion agencies and organizations (Hope, 2018, p.99). The results point to the following classes of reasons why SMEs may not export: reasons related to knowledge about the foreign markets, reasons related to real or perceived external barriers to SMEs exports and internal barriers.

A broad majority of the respondents stated that some of the important and very important reasons why SMEs do not export are: a 'lack of knowledge about foreign markets' (57.8%), a 'lack of awareness of the opportunities such markets offer' (55%), and a 'lack of understanding of economic developments outside the home country' (25%) (Hope, 2018, p.99). This lack of information makes some SMEs not even consider the opportunities that exports offer. However, the respondents did not believe that the domestic market offered enough opportunities so that exporting activities would not be attractive to SMEs, so we may not conclude that the respondents worked for SMEs that were already pressured by the ever-growing internal demand. To some extent, this lack of knowledge regarding foreign markets and opportunities could be improved by the SMEs members themselves: they could search for information online, they could contact institutions that are concerned with international trade, such as Chambers of Commerce and state owned companies concerned with investments in foreign markets, they could attend seminar organized by these types of organizations and access funding for travel, in order to find partners, and other funds to attend exhibitions, fairs, etc. Yet this requires a certain mindset from the SMEs representatives, a desire to actively search for solutions.

Apart from the lack of knowledge, the stakeholders that took the survey pointed that there are a number of important and very important external barriers to SMEs exports, such as (p.100): 'having a broad understanding of the rules to be followed in foreign markets but finding that the administrative procedures are too complicated' (68.3%), 'not knowing the rules which have to be followed' (63.9%), 'dealing with foreign taxation issues is too complicated' (63.2%), 'resolving cross-border disputes and complaints is viewed as too expensive' (57.9%), and 'identifying business partners abroad is viewed as too difficult' (52.8%). Among the least mentioned as highly problematic topics there are, with only 27.9%, the 'cost of delivery to a foreign market', with 19.1%, the 'lack of rule of law', and with 17.8%, 'corruption'. While the authors have grouped these responses in a different category than the ones above, we see that lack of knowledge is the common barrier and that the lack of necessary skills to operate on foreign markets and the uncertainty that cross-border operations imply are considered to be somewhat external to the SME. Corroborating the answers presented above, we may confidently state that the respondents point to a common denominator: the lack of skilled staff, able to understand and operate on different markets and motivated enough to develop those skills. This is further confirmed by the third set of reasons considered by the respondents as internal barriers.

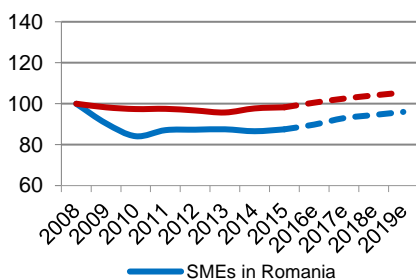
Regarding the important and very important internal barriers for export activities (p.101), we find 'the lack of specialized staff to deal with exports' (63%), 'the



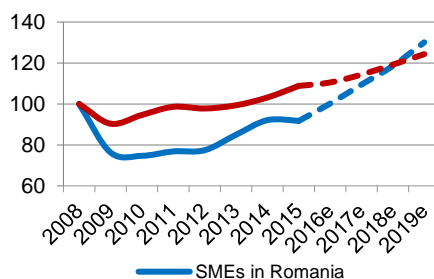
investment required to serve foreign markets is too high' (59%), 'the lack of language skills to deal with foreign countries' (55%). Among the least mentioned internal barriers there were 'product or service would not be competitive in foreign markets' (28%), 'do not need to export as the domestic market offers sufficient opportunities' (18%), 'not interested in expanding the business activities' (17%), and 'product or service is specific to home country and is not exportable' (15%). Two of the most problematic internal barriers concern the staff, which is not trained for international trade and even lacks language skills, necessary to discuss with foreign business partners. The financial concerns and the risks associated to developing business in foreign countries come as secondary if the staff is actually unable to understand the specificity of international business cooperation and even lacks basic language skills that would allow communication to take place.

### ***Romanian SMEs through the lens of the Small Business Act***

The general landscape regarding SMEs performance in EU-28 and Romania is balanced. The Small Business Act report on Romania 2018 (European Commission, 2018b) portrays the situation of Romanian SMEs as broadly similar to the EU-28 average. The number of employees (Figure 1), as well as the value added by the SMEs (Figure 2) have increased since the launch of the Small Business Act in 2008, and the rate of growth of Romanian SMEs seems to go steadily up.



**Figure 1. Number of persons employed in SMEs (Source: DIW ECON, May 18, 2018)**



**Figure 2. Value added of SMEs (Source: DIW ECON, May 18, 2018)**

There are differences as regarding the fields in which Romanian and EU-28 SMEs operate (Figure 3): there are slightly more Romanian SMEs in *manufacturing* and significantly more in *trade* than in EU-28, however significantly less in *services* and *construction*. Concerning the number of employees in these sectors, the EU-28 SMEs average has a much larger number of people involved in services than do Romanian SMEs, while Romanian counterparts employ a slightly larger number of individuals in manufacturing and trade and a similar number of people in construction.

In regards to *manufacturing*, although Romanian SMEs seem to employ more people and count up to more companies than EU SMEs, the numbers are similar. Also, almost identical numbers can be found in what concerns *construction* and differ in regards to *trade*, where Romanian SMEs have a more significant impact, also counting up more

companies, and a significant difference (RO 34.7% while EU 44.5%) in regards to services. This large difference in what concerns the *services* is expected, as Romanian has a smaller number of SMEs in this sector and employs a smaller number of people.

The value added of Romanian SMEs has reached 28.8% between 2013 and 2017, exceeding the value added growth of large businesses (19.7%); labour productivity measured in value added per worker increased more in SMEs than in large firms, still it reaches less than 1/3 of the EU average.

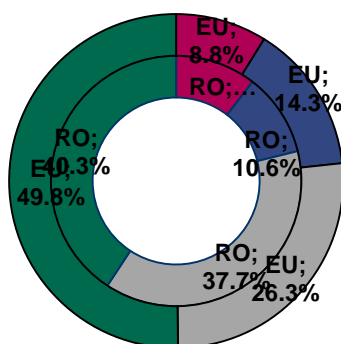


Figure 3. Number of SMEs  
(Source: DIW ECON, May 18, 2018)

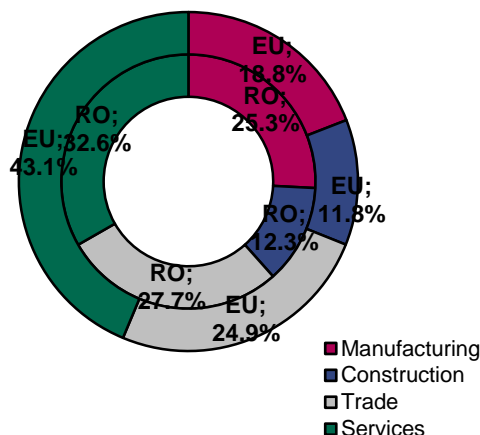
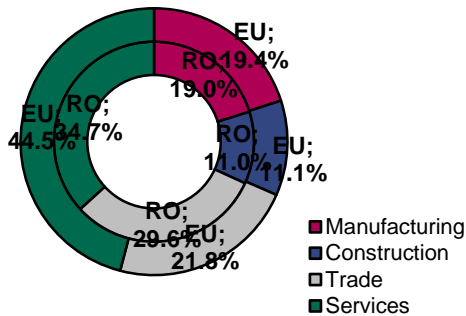


Figure 4. Number of persons employed in SMEs  
(Source: DIW ECON, May 18, 2018)

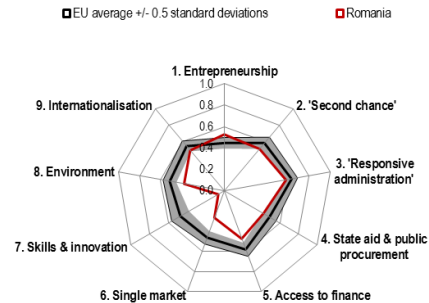
The *SBA 2018 Fact Sheet – Romania* report states that the sector that has marked the most obvious increase in recent years is *information and communication*, with its subsectors *computer programming* and *information services*, which added up to 58.1% growth in value added in 2017 as compared to 2013. Between 2010 and 2017, they doubled the workforce employed. The main source of growth was based on service exports supported by investors who were attracted by the relatively inexpensive and qualified workforce. At the other end of the continuum there is the sector of *constructions*, where between 2013 and 2017, three quarters of the value added by the large companies disappeared. The number of construction workers in employment decreased from almost 565000 in 2008 to less than 385000 in 2017. However, SMEs in this sector seem to have benefited from the relaunch of the residential construction sector and from the access to financial instruments that were aimed at supporting entrepreneurship, including EU funds.

Another sector where changes are significant is the *wholesale and trade*, where a consistent failing has been observed between 2008 and 2013. By 2017, SMEs in this sector surpassed the numbers of 2008, but large numbers of players in the market disappeared under the pressure of large companies, which already had passed the milestone of 2008 level in 2014. It is expected that SMEs would continue to lose market share in favor of large companies and maintain a total share of value added near 66%, which is the EU average.

The outlook for 2019 is presented as positive, 88000 new positions with SMEs being forecasted, almost seven times more than in the case of large companies.



**Figure 5. Value added of SMEs (Source: DIW ECON, May 18, 2018)**



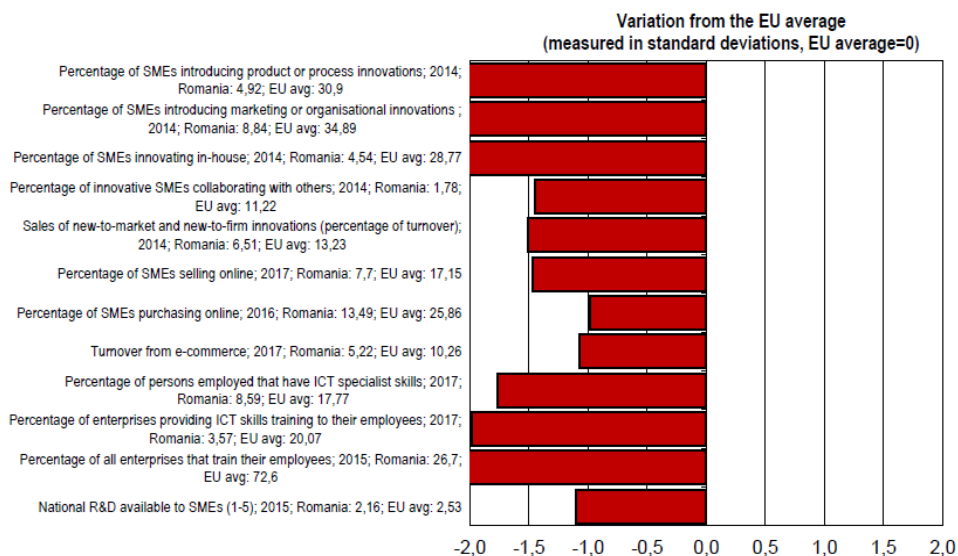
**Figure 6. Romanian SMEs compared to EU average on the 10 SBA criteria (Source: European Commission, 2018b)**

Looking at the general picture, through the ten dimensions used by SBA to measure progress (Figure 6), we observe that Romania has made significant improvements between 2008 and 2018 regarding supporting 'entrepreneurship', surpassing the EU average, and performs in line with the EU average in 'second chance', 'responsive administration', 'state aid & public procurement' and 'internationalisation'. There are areas that still perform below EU average: 'access to finance' (significant improvements have been made in this regard since 2008), 'environment', 'single market' and 'skills & innovation'. Progress has been made in respect to 'responsive administration', but the situation is stagnant in regards to 'skills & innovation' and 'second chance' and even deteriorated in 'single market'. The report states that the situation of 2018 is similar to the one in 2017, a sign that progress is slow to happen.

### ***Skills & Innovation in Romanian SMEs***

The situation regarding performance in *Skills & innovation* was poor in 2018 in Romanian SMEs, with the lowest score in EU and well below the EU average. This level of performance has remained almost stagnant since 2008, even though some positive developments have been observed: the turnover from e-commerce went up from 4.3% to 5.2%. Online purchase and online sales are below EU average with aprox. 10%, while innovation in regards to product or processes is almost nonexistent (4.92 for Romanian SMEs; 30.9 for EU average). Marketing and organisational innovations are introduced by only 8.74% of Romanian SMEs, compared to the EU average of 34.89%.

A small improvement can be seen in the share of companies that provide training to their employees, which rose from 24.1% in 2010 to 26.7% in 2015. However, the EU average of companies training their staff is 72.6%, 20.07% of European SMEs train their employees for ICT, compared to 3.57% of Romanian SMEs, and only 8.59% of Romanian SMEs employ persons with ICT skills, compared to EU average of 17.77%.



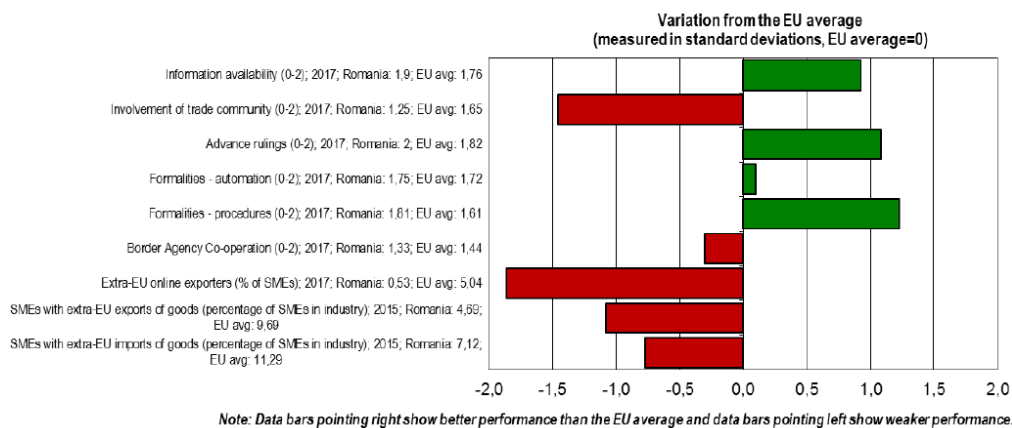
**Figure 7. Skills & Innovation of Romanian SMEs**  
(Source: European Commission, 2018b)

The Romanian national research, development and innovation (RDI) strategy has been supported by initiatives such as the 2015-2020 national RDI programme and the 2014-2020 Operational Programme for Competitiveness, coupled with other measures such as tax reductions, tax incentives and vouchers have positively influenced the development in this area. Some specific programmes, such as the 'RO Innovation — SMEs Growth Romania' programme (*Programul RO Innovare — Creșterea IMM din România*) aim to support sustainable growth of business in Romania. One particular fiscal measure was adopted to incentivise the RDI activities (*Facilități fiscale pentru activități CDI*) by exempting innovative start-ups from income tax for 10 years. The results we see are modest, the European Innovation Scoreboard still classifying Romania as a modest innovator comparing with other EU countries, yet the average score for EU is quite close.

### ***Internationalisation of Romanian SMEs***

In spite of the poor performances regarding *Skills & Innovation*, Romanian SMEs perform in line with the EU average in what concerns *Internationalization*.

Information seems to be more available in Romania than in the EU average (1.9 compared to 1.76), still the number is very low. This is one of the highest scores of all EU countries and shows that, besides progress in advance rulings and formalities, Romania's context has improved. Involvement in trade community is however lower in Romania (1.25) than the EU average (1.65), even though both numbers are low. These numbers advance the idea that networking and involvement in organizations that support international trade are far from being a common ground for the European SMEs. The results of the surveys presented in the sections above regarding perceived barriers such as lack of networking and poor level of knowledge regarding foreign markets could be easily linked to them.



**Figure 8. Internationalisation of Romanian SMEs**  
(Source: European Commission, 2018b)

As previously stated, Romania does perform slightly better than the EU average in regards to advance ratings, the automation and procedures of formalities, but does not fare as well on Border-Agency Co-Operation and lags far behind the EU average concerning extra-EU exports (online, goods), as well as extra-EU imports. Crossing the EU borders seems to be the biggest challenge for Romanian SMEs in this regard, with a score that has grown very slow since 2008.

A number of measures have been launched to support the promotion of Romanian SMEs between 2017 and 2018, such as the programme to support the internationalization of Romanian companies (*Programul de susținere a internaționalizării firmelor românești*), which helped SMEs attend fairs, exhibitions and participate in economic missions; the export promotion programme (*Programul de promovare a exportului*), which aimed 'to increase the production of high-value Romanian products and services by supporting the diversification of export markets and participation in international promotion activities', as well as the establishment of new agencies that promote export and attract foreign investment (*Înființarea agențiilor pentru IMM, atragere de investiții și promovarea exportului*).

## Conclusions

In the fast-paced global economy, SMEs that aim to be competitive and thrive are compelled to enter the international arena, innovate and capitalize on the knowledge advantages. Recent studies show that although SMEs may be tempted to strive for internationalization endeavors, they may find themselves in difficult situations regarding the resources necessary for expanding their operations abroad. In the European Union, under the umbrella of the Small Business Act, a number of measures have been taken to support entrepreneurship and SMEs growth. However, not all EU countries have managed to perform well. In this front, the study aimed to shed light on the level of Romanian SMEs internationalization as depicted by European documents, with a focus on the internal capabilities that facilitate the adjustment to the external conditions.

Romanian entrepreneurs and SMEs have been supported in the recent years by a series of European and national governmental initiatives. The results are reflected in the increased number of persons employed by SMEs and in the increased value added. EU SMEs, including Romanian SMEs, face a number of restraints when contemplating internationalization, even in the case when they just aim at selling their goods in a foreign market.

The results of the studies conducted at EU-level confirm the conclusions of some well-reputed academic works: many SMEs are lacking in resources that may propel them in the international arena and face significant internal limitations, which concern - to a great extent - the lack of a coherent knowledge management strategy and the lack of staff that would be able to perform in international markets. Insufficient financial resources and risks associated with operating on foreign markets are only secondary problems comparing with the lack of staff that is ICT competent, has a good command of foreign languages, is able to search for information regarding foreign market characteristics and is able to network with foreign counterparts, thus leading to potentially profitable collaborations with companies abroad.

Although both EU respondents and Romanian respondents have pointed that there is a lack of information regarding business, such affirmations need to be considered perceptions, as long as staff members are also presumed not to be skilled for international business and are not involved in networks supporting international trade.

Further studies could explore the characteristics of the staff involved in SMEs that aim to perform in international contexts, in order to identify potential skills that need to be acquired by staff members in order to facilitate international cooperation. As regards the modest rating of Romanian SMEs concerning innovation, this may be connected to the lack of involvement in networks that would stimulate innovation and may also be a consequence of the staff qualifications and openness to collaborate with foreign partners for propelling innovation.

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