

Strategies and Strategic Orientation in Romanian SMEs

Daniel RUSU¹

Abstract

The main objective of this article is represented by the recognition and detection, within the Romanian SMEs, of the main sources of competitive advantage. Regardless of the sector and their size, the main priority of market-oriented companies is to gain a competitive advantage. Because for the development and growth of SMEs, the business environment in Romania is not motivating enough, the article highlights the role that strategic orientation has in the development and promotion of business.

In many cases, the main source of the competitive advantage of SMEs in Romania is generally represented by costs, ie they identify and obtain a competitive advantage by offering services but also products of medium quality and at a low price. Romanian SMEs are oriented towards innovation. Product innovations are specific to small enterprises and medium-sized enterprises are mainly focused on process innovations.

Keywords: *Innovation, Differentiation, Costs, Competitive Strategies, Competitive Advantage*

JEL classification: *M54*

DOI: 10.24818/RMCI.2021.4.527

1. Introduction

Small and medium-sized enterprises (SMEs) define a significant economic force that contributes to the generation of exports, total turnover and revenue growth. More precisely, in Romania, the SME sector represents 99.7% of the total active enterprises, and owns over 67% of the employees. In the opinion of Ovidiu Nicolescu, the honorary president of the National Council of Small and Medium Private Enterprises in Romania (CNIPMMR), "14.28%, ie 1 in 7 SMEs, have amplified their activity in the last two years, and a third operates at the same parameters, which is very important because it gives stability to the economy. Unfortunately, half of SMEs have problems. 10% are in bankruptcy, and 40% have reduced their activity, which is a very high percentage. This is the picture of the last two years." Even if SMEs play a significant role in promoting economic development and growth, in Romania their operation is limited by many external factors.

In Romania, in terms of SMEs, the business environment is still quite uncomfortable today. The main factors that maintain and cause insecurity in the business environment are corruption, limited funding but also the inefficiency of

¹ Daniel Rusu, Bucharest University of Economic Studies, Romania, rusumdaniel@gmail.com, Telephone: +40-744568230

state bureaucracy. The institutional quality of the business environment (CIMA) is limited by eight institutional factors, harmonized and selected from a methodological point of view so as to represent as accurately as possible the constraints and limitations faced by entrepreneurs: institutional constraints on investment and trade, corruption, obtaining permits, the burden of regulations, paying taxes, imposing contracts, ease of doing business as well as protecting property.

Only an approach and a methodology cannot determine in a certain region the position of a certain country. It is important to mention this aspect because the assessments regarding the economic progress as well as the relative position are most often made based on the decisions of the institutions at international level. Taking into account the consequences of the above but also other external factors with obstructive results regarding the development and growth of enterprises, this article starts from the premise that the main factors of business development and growth can be in the management skills sector.

The topic of the article refers to the study of approaches. More precisely, to the sources that are used by SMEs in order to obtain the competitive advantage. We assumed, based on this empirical research, that the identification of competitive strategies for Romanian SMEs, due to many specificities of the business environment, is limited and requires the use of a concentration strategy. Whether SMEs operating in some markets are prioritized over differentiation or costs remains the main question of the research.

The following hypotheses are the ones from which the research started:

- SMEs in Romania implement innovative activities;
- The competitive strategy of an enterprise is closely consistent with the type of innovation it achieves (process innovation or product innovation).

2. The study of knowledge

In developing countries but also in developed countries, the literature on strategic orientation in the SME sector is particularly extensive. The strategic orientations corresponding to an enterprise (technological, competitive and customer) were researched by Gagnon & Xuereb (1997). Significant research papers are focused on innovative performance and commercial innovation, many of which refer to works by the following authors: Greenley (1995), Atuahene-Gima (1996), Hurley & Hult (1998), Han et al. (1998), Lukas & Ferrell (2000), Verhees & Meulenbergh (2004), Zhou et al. (2005) as well as many others. Zack (1999) and Calantone et al. (2002) are the authors who focused their studies in the direction of the impact that the orientation towards learning as well as knowledge have regarding the company's innovation. Keskin (2006) conducted a study on the combination of the effect of learning orientation and market orientation on the performance and innovation of SMEs in Turkey.

It used a survey based on a questionnaire for managers in small and medium-sized enterprises and operating in Turkish markets, receiving a total of

158 questionnaires from managers. The results of the survey highlight the following aspects: the company's performance through learning and innovation is indirectly influenced by its market orientation; the relationship between the company's innovation and its market orientation is mediated by the companies' orientation towards learning; a positive impact on the company's orientation towards learning is due to the company's orientation towards the market; In general, SME innovation is positively influenced by companies' orientation towards learning.

In the economies in transition, the results of companies' orientations towards innovation and the market were examined by Zhou et al. (2005). Conducting a survey of 2756 employees in 182 companies operating in the Chinese market, they find that both innovation and market orientation significantly improve the attitude of employees at work. Also, the mentioned authors also discussed the consequences that the amplification of these strategic orientations have within the economies in transition. According to the results of a model developed by Verhees & Meulenber (2004) and which studies the existence of a combined result of innovation and market orientation in terms of product innovation, a positive influence on market performance, innovation and orientation has the owner's innovation. Moreover, Verhees & Meulenber (2004) found that the innovation of a product is certainly influenced by the intelligence of customers in that market, either negatively or positively, in close correlation with power but also with influence. the owner's innovation in the field of the new product. The relationship between product innovation and market orientation was investigated by Lukas & Ferrell (2000), using a representative sample of US companies in the production field. Market orientation indirectly and implicitly influences product innovation, according to the results and data provided by Lukas & Ferrell (2000). The chain: market orientation-innovation-performance is tested by Han et al. (1998).

The mentioned authors studied the way in which the essential components involved in organizational innovation (administrative versus technical) are influenced by the main components of market orientation (inter-functional coordination, competition orientation, customer orientation) in the direction of influencing corporate performance. Using data taken from the banking industry, Han et al. (1998) highlighted the fact that in this industry, which represents the service sector, innovation from an administrative point of view can have a very close significance to that of its technical counterpart in affecting performance, compared to the role it plays. has within the processing field. An empirical study conducted by Atuahene-Gima (1996) and based on 161 production firms and 118 service firms in Australia studied the effect of market orientation on the performance and characteristics of innovation. The conclusions highlighted an engagement relationship among the characteristics of innovation as well as market orientation, namely the matching of work in inter-functional teams, the advantage of the product and the matching of innovation-marketing, but not the matching of innovation technology and product novelty. Moreover, the findings and conclusions of Atuahene-Gima (1996) do not confirm the hypothesis that market

orientation has a more dominant effect on service innovation than the influence on product innovation performance.

Environmental variables moderate the impact but also the effect that market orientation has on performance, according to research conducted by Greenley (1995) on the relationship between performance and market orientation in the UK. Moreover, in specific market conditions, such as markets characterized by extreme turbulence, major technological changes but also reduced customer power, it would not be possible to see the benefits of market orientation, as evidenced by Greenley (1995). A survey conducted by Hurley & Hult (1998) tested a sample of 9,652 employees from 58 organizations working in a large agency belonging to the US federal government to incorporate a construction that refers to innovation in the study market orientation. According to this research, higher capacities for innovation and adaptation (the statistical number of innovations that are successfully implemented) are associated with higher levels of innovation in the organizational culture of companies. Moreover, Hurley & Hult (1998) highlighted that higher levels of innovation are closely linked to those cultures that place a particular emphasis on participatory decision-making, development and learning. According to Todorovic et al. (2013), the specificity of today's business environment obviously implies the need for an integrated and flexible management system that provides operational and strategic excellence within organizations.

Entrepreneurial and market orientations were analyzed in a study conducted by Atuahene-Gima & Ko (2001) and its results are intended to analyze the effects that these orientations have in terms of product innovation at the level of a company. The respective authors studied and ranked a representative sample of 182 companies in four distinct groups as conservative firms (CO), market orientation (MO), entrepreneurship orientation (EO) and market orientation / entrepreneurship (ME). According to the study conducted by Atuahene-Gima & Ko's (2001), there is a significant difference between all these categories of companies in terms of supporting innovation management, market launch skills, the quality of the marketing product used, innovation strategies and activities occasioned by the launch schedule, but also in terms of objective and subjective measures regarding the performance of a new product. An important aspect regarding the distinct way in which a firm is organized is captured by the strategic entrepreneurial orientation of a firm (EO), according to Wiklund & Shepherd (2003). They found that this relationship is constantly optimized by the company's EO entrepreneurial orientation, and that there is a positive relationship between the company's performance and resources that are knowledge-based (and obviously applicable to exploiting and discovering opportunities). The reshaping of the concept of entrepreneurial orientation (EO), achieved through measurement and empirical analysis is introduced by Anderson et al. (2015). They argued for an empirical illustration of their reconceptualization of EO's entrepreneurial orientation. Effective strategic responses to environmental hostility were investigated by Covin & Slevin (1989) among 163 small manufacturing firms. They noted that in such an environment there is a positive relationship between

concern about predicting industry trends and trends and relatively high product prices, characterization of the competitive profile through long-term orientation, strategic entrepreneurial position and organic structure and performance of small companies. Empirical research on the influence of stakeholder management on corporate performance, conducted by Berman et al. (1999), were not supported in the direction of obtaining an intrinsic model of stakeholder engagement but found support in order to achieve a strategic management model of stakeholders. International performance by SMEs is closely related to the type of alliance (marketing or research) and entrepreneurial orientation (EO), according to a study by Brouthers et al. (2015), based on surveys of UK and US companies. It is absolutely necessary to stimulate the development in the public sector of the concept of entrepreneurship by informing employees as well as management about the potential of entrepreneurship and also by educating them to use the opportunities and possibilities to apply this concept.

In these conditions, Zack (1999) argues that from a strategic point of view knowledge is the most important resource but also the fact that for business organizations learning is the most important capability. In his opinion, a number of managers intuitively believe that knowledge of much more than competition could come from strategic advantage, despite the fact that they can not pronounce pragmatically and objectively to the link between strategy and knowledge. In order to assess the competitive position held by an organization in terms of intellectual capacity and resources but also to establish this link, Zack (1999) provides a framework. Using data from a wide range of US industries, Calantone et al. (2002) conducted research on the components of learning orientation. They studied the influence of learning orientation on companies' innovation, which in turn implicitly influences the actual performance of companies.

Particularly important factors for the growth, survival and performance of SMEs within the EU have been analyzed by Veselinova and Samonikov (2012). They first studied the factors that influenced the potential failure of young companies in terms of growth and innovation. In the situation where the company feels financial constraints, the age of that company (which is the indicator that mirrors its own reputation) is particularly important, according to the results provided by Veselinova and Samonikov (2012). According to Veselinova and Samonikov (2012), the growth capacity of SMEs is closely dependent on their potential to invest in qualification, innovation and restructuring. Eric et al. (2012), in their attempt to determine what are the most important financing obstacles faced by SMEs in Serbia, conducted a large survey of 610 SMEs. The authors highlighted, following the results of this survey, that 41% of SMEs stated that the use of strategic guidance when deciding how to acquire the necessary financial resources is strongly associated with improved financial performance.

A strong technological orientation of a company is imposed by the development of superior innovations, in the opinion of Gatignon and Xuereb (1997). Moreover, they found that performance in high-growth markets led competitive firms to develop innovations at relatively lower costs; when they

achieved remarkable performances in certain markets defined by a seemingly insecure demand, companies with a focus on technology and consumers built better innovations and much more preformed products on the market, thus obtaining clearly superior performance. Also, in markets with seemingly secure demand, competitive orientation leads to better innovations, which is less evident in markets defined by extreme uncertainty. A concept of strategic innovation was investigated by Milutinovic et al. (2015), taking into account the effect it may have on changing the rules of the game on an already existing market, new business models and product categories, the development of growth strategies and competitiveness. Milutinovic et al. (2015), starting from the map that defines the strategic positioning, presents some possible answers regarding the way in which SMEs in Serbia can develop and improve their business. The strategic implications generated by innovation management for the period of economic crisis are presented by Milic (2013). Milic (2013) analyzed how and especially if it is necessary for managers to implement innovation management strategies in order to build a strong, solid foundation as a precondition for future business growth in times of crisis but also during of post-crisis.

3. Competitive advantage - a theoretical analysis

On the topic of obtaining the competitive advantage there is a large number of extensive research but also a large volume of literature. The work and activity of M. Porter (1980, 1985, 2007) in this vast field is recognized as the most evocative and at the same time significant, considering the fact that he elaborated, in terms of competitive strategies, the most complete conceptual framework. In the opinion of Keskin (2006): "Innovation is the name of the game for competition ...". Moreover, uncertainty and change, continued turbulence as well as increasing competition have led companies to assimilate innovation as an integral and significant part of corporate strategy (Keskin, 2006). In the opinion of Wirtz et al., (2010), companies, in order to remain competitive, are obliged to adapt and permanently develop their business models. Moreover, in the opinion of Milutinovic et al. (2015), insofar as companies want to achieve success, they are forced to exploit but also to discover new strategic positions that, when the industry grows and develops, can emerge.

According to M. Porter (2007), this competitive advantage is generated precisely by the ability of a certain company to generate value exclusively for its customers, a value that is much higher compared to the real costs of producing it. The value comes from offering a single gain that can greatly offset the higher price or by offering significantly lower prices compared to its competitors for an equivalent gain and is the intrinsic expression of what buyers want and are willing to pay (Porter, 2007, p. 20). According to Coulter (2010), in order to gain a competitive advantage, an organization is obliged to own and offer something that its competitors do not have, to achieve something much better compared to others or to innovate something that other organizations would not be able. This essentially defines strategic management (Coulter, 2010, p. 41). According to Dess et al., (2007, p. 9), strategic management is a process composed of actions,

decisions and analyzes that the organization undertakes to provide but at the same time to maintain its competitive advantage. According to the evidence, organizations that are present on a relatively small scale, in most cases, do not present a strategic orientation. According to Farhad and Karami, (2003), managers / owners of small businesses, due to the focus on activities related to operating mainly, uncertainty, lack of adequate skills and lack of knowledge about specific techniques of strategic management often avoid longer-term planning and forecasting.

Compared to larger counterparts, small businesses cannot use the same solutions strategically because they are not considered miniature copies of larger systems. The differences that exist between large organizations and small organizations are observed in terms of their impact on the environment, on the management style, the organizational structure but also in terms of their size. A change occurs in terms of skills and knowledge needed to solve management problems and the nature of these problems, with the development and growth of enterprises, with their transformation from small to medium enterprises. In his opinion (Paunovic, 2012), a significant change that occurs as a result of the development and growth of an organization is intrinsically related to the professionalization of management which is achieved by hiring professional managers with qualifications and a high education. An enterprise begins to gain benefits from its size (easier access to finance, strategic direction, effects of economies of scale, etc.) as it becomes diversified and large. Obviously, new problems are emerging that will require appropriate strategic solutions. According to Todorovic, (2003), a major problem is how synergistic effects based on the dispersion and size of activities can be ensured.

The conclusion, based on the previously mentioned aspects, is that small enterprises have operations largely determined by internal factors and especially by the skills but also by the knowledge of managers / owners. According to Paunovic, (2012), because the managers of small enterprises are also their owners, their degree of motivation regarding operational efficiency is certainly much higher compared to that of managers in large companies. Stoner (1987) recognized the importance of the role played by the human factor in the process of creating and developing distinctive competitive character. According to Stoner (1987), the main distinctive competencies of small businesses are found in the skills of their managers, in their knowledge and experience.

In the opinion of Dess et al., (2007, p. 357), the owner / manager, within organizations that use a simple organizational structure, is involved in several differentiated roles, controls each activity and approves all decisions. According to Paunovic, (2012), dependence on personal and professional characteristics but also on the capabilities of a single person becomes a very serious problem in small businesses. It is absolutely necessary for SMEs to be guided and directed from a strategic point of view, given that the substance of strategic management is related to maintaining and primarily creating a competitive advantage. Given all these aspects, according to Callahan and Cassar, (1995), due to certain peculiarities

present in small organizations, the strategic planning process does not have to be particularly formalized, as is the case for example in larger organizations. According to Coulter (2010), even if small organizations would like to adopt the business practices of large systems, their flexibility as well as their core values, they could be at risk.

In conclusion, according to Coulter (2010, p. 316), in small businesses, strategic management should be action-oriented in the first place, to express flexibility and a slight formalism. The strategic choice is, in the opinion of Coulter (2010), the same for both large and small organizations, even if the latter face certain limitations in terms of activities that can be carried out. Coulter (2010) also argues that organizations that are smaller in size, when formulating a particular strategy, are able to implement similar strategic directions (more specifically, recovery, stability, and growth) to larger systems, but with certain delimitations that refer especially to the establishment of strategic alternatives within the highlighted directions. Most small organizations choose to implement a growth strategy in terms of concentration, because different strategic options (horizontal integration, vertical integration, diversification, etc.) involve significant investments. In the opinion of Lazarevic-Moravcevic et al. (2015), the dominant strategic orientation among managers / business owners in Serbia is represented by the growth strategy. Of the managers who were interviewed, 70% are considering expanding their business in the future, according to the results obtained by these researchers. According to Lazarevic-Moravcevic et al. (2015), although they face special problems both externally and internally, managers / owners are optimistic and present a distinct vision in terms of business development direction.

Within the activities carried out by SMEs, during their period of operation, they face special strategic problems, human resources management being one of them. In Coulter's opinion, (2010, p. 319), among the big problems of small organizations are employee retention, motivation and recruitment. Because they do not have effective systems in place to monitor employee performance and motivation as well as a strong strategic approach to human resource engagement, small organizations often face high employee turnover rates. According to Cardon & Stevens, (2004), standard methods are usually used to implement specific human resource development, selection and recruitment activities because they can be directly controlled by the manager / owner of the company and also does not require special costs. According to PKS, (2012), the use of cheap and relatively simple methods as well as giving priority to loyalty criteria for the company are common practices in the candidate selection process. The possibility of recruiting employees with the best experience and qualifications is excluded by adopting the criteria for hiring employees based on the loyalty expressed to the company.

Creating the competitive advantage is the main objective generated by the strategic orientation. According to Porter (2007, p. 31), differentiating or managing costs can create a competitive advantage, namely by using one of the following generic strategies: concentration, differentiation and cost management (Porter, 2007, p. 31). According to him (Coulter, 2010, p. 211), these strategies can be used

in all organizations, regardless of the type and size expressed by a particular business sector, in organizations with the most diverse sizes and types (Coulter, 2010, p. 211). In a given industry, the main goal in terms of cost management strategy is to have the lowest costs.

Much lower prices compared to the average size prices that are in the market can be set by the organizations that have the lowest operating cost. In his opinion (Kotler, 2006), the activities directed towards obtaining superior performances in an area evaluated by a large part of the market and important for the clients, define the differentiation process. There are two main options for this concentration strategy. According to Porter, (2000, p. 35), in the target segment, a firm pursues the cost advantage, in focusing costs, while in the focus of differentiation, a firm pursues the differentiated advantage within the target segment. In Porter's opinion (1985, p. 17), regarding the strategic orientation, it is especially important for a company to establish a well-defined and structured option, a clear behavior in terms of how it wants to be identified in the market. to its own buyers-offering unique services (products) or as a manufacturer offering standard and relatively cheap products. According to Porter, (1985, p. 17), the commitment of a company to make the selection of the general strategy it will implement, determines its success in that market.

According to Ebben & Johnson (2005), small firms that combined the strategy of flexibility (differentiation) with the strategy of efficiency (low cost), compared to firms that used a special singular strategy, managed much harder. Within the scientific community, the opinion formulated by Porter (1985) predominated for a long time. In this context, many examples of good practice have questioned Porter's exclusivity, examples being companies such as Toyota, Google and McDonalds that have won but also maintained the competitive advantage by incorporating differentiation strategies and reduced costs. Companies develop unique services and products and achieve low costs with the help of integrated IT systems, the just-in-time inventory system as well as advanced technology, namely the flexible production system (Coulter, 2010, p. 219).

4. Research methodology

In order to identify the basic strategic orientation of SMEs regarding the choice of their competitiveness strategy, a survey was conducted based on a sample of 110 companies in Romania, of which 80 are small enterprises and 30 are medium enterprises. Depending on the actual number of employees, the respective categories of enterprises were cataloged. Small enterprises are represented by companies that have a maximum of 50 employees and the class of medium-sized enterprises includes economic entities that have between 50 and 250 people. By using an absolutely selective approach, the representative research sample was made. Consequently, the structure of the sample consists of companies recognized as having real potential for development and growth, companies with positive results in terms of turnover and companies with more than 10 employees.

The research was based on a survey conducted using an electronic questionnaire distributed online. The survey gives respondents the competence to provide answers in a pre-prepared interval of possible answers and is an important method of collecting data based on a previously prepared questionnaire. The questionnaire also provides the option by which respondents can provide answers beyond the defined limit of the interval. The level of competence and expertise of those who responded to the survey is appreciated as high because all the questionnaires of this survey were completed by the managers / owners of the companies. Not taking into account the identification data of the respective persons who answered the questionnaire, the survey conducted in this way offers the option of being, in the true sense of the expression, anonymous. For the category of medium-sized companies, a limited representation in the respective research sample represents an appreciable limitation of this study. Their weaker representation in the total number of SMEs but also the partial lack of availability from the participation managers in this survey mainly explained the lower presence of the sample than previously planned.

Due to the clearly expressed intention to identify specific sources of competitive advantage, the questionnaire specifies questions that make explicit reference to the main types of innovation that are implemented by SMEs and also to the main characteristics of services / products. Process innovations as well as product innovations are included in the innovation classification used in this survey. In the opinion of Desset al. (2007), cost management strategy is associated with process innovation while differentiation strategy has been associated with product innovation. Using Google Drive, Microsoft Excel and SPSS software, numerical expression of results, statistical analysis and data processing were performed.

The use of a useful combination of research methods and techniques characterizes the specific methods used in the survey. According to Susnjic (1977, 1999), economic research is based on methods and techniques such as surveying. This technique is usable and available as a method of gathering and collecting reliable data and information of a scientific nature and referring to attitudes, opinions and points of view of subjective value on various factors and various facts of an economic and social nature. Even in these conditions, their reliability and range have certain specific limitations. These, first of all, consist in the complexity, plurivalence and multilaterality of the selected sample and the content of the survey.

5. Discussions and results

Respondents to the questionnaire were able to choose between the two answers below:

- A higher price than the competition, at a much higher quality;
- An average quality of service (product), together with a lower price than the competition.

According to these results, the answers of Romanian SMEs converge to this question. In conclusion, in the opinion of 48% of small business managers a slightly lower price is the main feature of their service / product, while in the opinion of over 36% high quality is the main feature. Similarly, almost 34% of medium-sized business managers believe that high quality is the main feature of their service / product, and almost 73% believe that the main quality is the lowest price.

The research results show that SMEs are generally looking for a competitive advantage in terms of costs. In other words, in those selected market segments, they gain a competitive advantage by using the Focus Focus strategy. Moreover, according to the survey, within the specific field of innovation activities, SMEs were particularly active and showed a real entrepreneurial behavior. Regarding the hierarchy of small enterprises, almost 87% of the entire sample has carried out in the last two years a process innovation or a product innovation, and in the group of medium-sized enterprises this number has approached 98% of the entire sample.

By using the question in which the respondents are invited to recognize which is the dominant category of innovation used, it was wanted first of all to identify the situation in which the innovation fulfilled by a company accompanied a certain predetermined competitive strategy. The study is based exclusively on the hypothesis that firms that use the low cost strategy focus on process innovations and firms that use the strategy based on differentiation focus exclusively on product innovations.

According to the results provided by this empirical research, in small businesses, product innovation is the main type of innovation (over 53% of responses). Over 32% and slightly less than 51% of managers present in medium-sized companies believe that the main type of innovation refers directly to product innovation and, respectively, to process innovation.

According to these empirical results, the innovation activities of medium-sized companies are mainly associated with processes, in other words they are associated with the optimization of technological processes by which costs and production cycle time decrease appreciably and this is in full accordance with a certain strategy. cost management. Moreover, with the objective of improving the functionality, design and quality of existing services (products) but also for their modification and development, the activities of small enterprises are focused with priority on product innovation. As small businesses use costs as the main source of competitive advantage and their main main innovation activities are focused on product differentiation activities, it turns out that firms have innovation activities that do not always accompany their main strategic orientation, ie small firms. seeks to gain competitiveness, competitive advantage by combining elements specific to differentiation strategies but also cost.

According to the results provided by this research, the hypothesis according to which Romanian SMEs carry out specific innovation activities cannot be rejected. Moreover, the second hypothesis, according to which the competitive

strategy corresponds entirely to the established type of innovation, is, in the case of medium-sized companies, confirmed, and with regard to small enterprises, the hypothesis that specific elements of business strategies are combined cannot be rejected. differentiation and cost, defined as the integration of the competitive strategy.

In the absence of a strong strategic orientation towards the source of competitive advantage, more precisely in the case of the effort to gain a certain competitive advantage by combining both the differentiation strategy and the specific elements of the cost concentration strategy, we can wake up in the characterized scenario de Porter (2007) as “stuck in the middle.” This scenario can also be defined as the tendency of small firms to combine components specific to cost management strategies with differentiation strategies and implicitly positioning towards a specific market segment, either by providing quality at an average price level, or as producers that provide an average quality expressed at below average prices. The risk that is associated with such a strategy is particularly high. The company should not be able to provide a sufficiently high value and quality to be expressed at a certain price or to deliver a certain price low enough in the value of a certain set of performances and specifications for a certain product. In the opinion of Kalicanin, (2007), in the case of the first situation, the company may be endangered by actions coming from the competition, actions that prioritize specific differentiation strategies, and in the second situation it may be endangered precisely by those competitors who use the cost management strategy. Because of this, the strategy resulting from combining these two specific sources of competitive advantage - differentiation and low costs - for the internationalization of Romanian companies can be an ideal solution, with express reference to their easier access to the EU market.

6. Conclusions

In order to obtain a sustainable competitive advantage, the preliminary and significant condition is the strategic orientation while the main objective pursued by all companies that are market-oriented is represented by obtaining the competitive advantage. Thanks to the specificity of the business environment for SMEs in Romania, but also to the characteristics of small companies, the development and growth of these entities must be based primarily on their internal strengths and especially on the knowledge and skills of managers / owners.

SMEs, in order to create and develop a competitive advantage, it is necessary to express a strategic orientation. Considering the difficulties that small companies face but also the specificities of the Romanian business environment, the specific strategic choice of SMEs in Romania is quite limited in terms of competitive strategy and refers mainly to the Focus strategy. Based on this empirical research conducted in this article, in general, SMEs in Romania are focused, as a main source of competitive advantage, on costs, in the sense that they obtain, within a certain selected market segment, a competitive advantage by offering services / products of a medium quality and at low prices. The strategy based on competitiveness, found in the segment of medium-sized companies, is

intertwined with specific concerns in the field of innovation. Within medium-sized companies, these innovations are mainly related to processes and first of all to the improvement of technological processes, through which lower costs can be obtained. Moreover, in the small business segment, no matching was found between the specific innovation activities and the competitiveness strategy.

Small businesses generally appreciate, as a main feature of their services / products compared to direct competition, lower price and average quality, while product innovation refers directly to the predominant type of innovation. When the preponderant opinion present within the professional community is generally accepted, in the absence of a strong commitment of companies regarding the specific source of competitive advantage, respectively the attempt to obtain competitive advantage by combining differentiation strategies and management elements. based on costs, will result in a "stuck in the middle" position. Also, in no case should an integration of differentiation strategies and cost strategies be refused and rejected as a feasible solution in order to obtain the competitive advantage for small companies in Romania. Under special assumptions (bottom-up and top-down integration, TQM, systematic use of modern technologies, efficient inventory management, flexible production system) strategy that interweaves both elements related to differentiation strategies and elements related to differentiation strategies. low costs, can be an adequate solution for Romanian SMEs. Because in Romania SMEs produce about 37% of GDP, both the effects and the results presented in this article can be favorable for specific economic and political decision makers but also for the professional and scientific community,

In this study, the conditions that are necessary in order to obtain the competitive advantage by introducing an integrated competitive strategy were not exposed at all. In conclusion, it cannot be argued in a firm and clear manner that the attempts of Romanian SMEs to obtain the competitive advantage by combining the components of the low cost strategy and the specific components of the strategy related to differentiation are fully explained. Future researchers will fully answer the question of whether SMEs really have the capacity to implement integrative strategies in a welcome way or have only the specific wandering of continuous searches for sources of competitive advantage.

References

1. Anderson, B. S., Kreiser, P. M., Kuratko, D. F., Hornsby, J. S., & Eshima, Y. (2015). Reconceptualizing entrepreneurial orientation. *Strategic Management Journal*, 36(10), 1579-1596.
2. Atuahene-Gima, K. (1996). Market orientation and innovation. *Journal of business research*, 35(2), 93-103.
3. Atuahene-Gima, K., & Ko, A. (2001). An empirical investigation of the effect of market orientation and entrepreneurship orientation alignment on product innovation. *Organization science*, 12(1), 54-74.
4. Berman, S. L., Wicks, A. C., Kotha, S., & Jones, T. M. (1999). Does stakeholder orientation matter? The relationship between stakeholder management models and firm financial performance. *Academy of Management journal*, 42(5), 488-506.

5. Brouthers, K. D., Nakos, G., & Dimitratos, P. (2015). SME entrepreneurial orientation, international performance, and the moderating role of strategic alliances. *Entrepreneurship Theory and Practice*, 39(5), 1161-1187.
6. Calantone, R. J., Cavusgil, S. T., & Zhao, Y. (2002). Learning orientation, firm innovation capability, and firm performance. *Industrial marketing management*, 31(6), 515-524.
7. Cardon, M.S., & Stevens, C.E. (2004). Managing human resources in small organizations: What do we know? *Human Resource Management Review*, 14(2), 295-323.
8. Callahan, T.J. & Cassar, M.D. (1995). Small Business Owners Assessment of Their Abilities to Perform and Interpret Formal Market Studies. *Journal of Small Business Management*, 1-9.
9. Coulter, M. (2010). *Strategijskimenadzmentnadelu*. Data Status, Beograd.
10. Covin, J. G., & Slevin, D. P. (1989). Strategic management of small firms in hostile and benign environments. *Strategic management journal*, 10(1), 75-87.
11. Dess, G., Lumpkin, G., & Eisner, A. (2007). *Strategijskimenadzment*. Data Status, Beograd.
12. Draskovic, B. & Minovic J. (2013, Decembar). Natural resources and their impact on the development of Serbia. *Proceedings from the international conference Economic Sciences on the Crossroad*, 4. Decembar 2013, Beograd, *Institutekonomskihnauka*, 503-513.
13. Ebben, J.J., & Johnson, A.C. (2005). Efficiency, flexibility, or both? Evidence linking strategy to performance in small firms. *Strategic management journal*, 26(13), 1249-1259.
14. Eric, D., Beraha, I., Djuricin, S., Kecman, N., Jakisic, B. (2012) *Finansiranjemalih I srednjihpreduzeca u Srbiji*, *Institutekonomskihnauka i PrivrednakomoraSrbije*, Beograd, 48-49.
15. Farhad A. & Karami, A. (2003). *Strategic Management in SME*. Thomson Learning, 10.
16. Gatignon, H., & Xuereb, J. M. (1997). Strategic orientation of the firm and new product performance. *Journal of marketing research*, 77-90.
17. Greenley, G.E. (1995). Market orientation and company performance: empirical evidence from UK companies. *British journal of management*, 6(1), 1-13.
18. Han, J.K., Kim, N., & Srivastava, R.K. (1998). Market orientation and organizational performance: is innovation a missing link? *The Journal of marketing*, 30-45.
19. Hurley, R.F., & Hult, G.T.M. (1998). Innovation, market orientation, and organizational learning: an integration and empirical examination. *The Journal of Marketing*, 42-54.
20. Kalicanin, Dj. (2007). O hibridnoj generickoj strategiji: niskitroskovi i diferenciranje istovremeno. *Ekonomikapreduzeca*, 55(7-8), 263-272.
21. Keskin, H. (2006). Market orientation, learning orientation, and innovation capabilities in SMEs: An extended model. *European Journal of innovation management*, 9(4), 396-417.
22. Kotler, P. (2006). *Marketing menadzment*, Data Status, Beograd.
23. Lazarevic - Moravcevic M., Pantic O., & Filimonovic D. (2015). SME sector as a growth factor of employment in Serbia. *Proceedings from the international conference New economic policy reforms*, *Beogradskabankarskaakademija*, Beograd.
24. Lukas, B. A., & Ferrell, O. C. (2000). The effect of market orientation on product innovation. *Journal of the academy of marketing science*, 28(2), 239-247.
25. Milic, T. (2013). Innovation Management in times of economic crisis. *Management*, 66, 81-88. DOI: 10.7595/management.fon.2013.0001.

26. Milutinovic, R., Stosic, B., & Mihic, M. (2015). Concepts and Importance of Strategic Innovation in SMEs: Evidence from Serbia. *Management (1820-0222)*, 77, 35-41. DOI: 10.7595/management.fon.2015.0030.
27. NARR, 2013. Izvestaj o malim i srednjim preduzecima i preduzetnistvu za 2013. godinu, 8, <http://narr.gov.rs/>.
28. Omerbegovic-Bijelovic, J., Rakicevic, Z., & Vucinic, A. (2016). Is the Public Sector of Serbia Ready for the Entrepreneurial Concept?. *Management (1820-0222)*, 78, 45-51. DOI:10.7595/management.fon.2016.0004.
29. Paunovic, B. (2012). Preduzetnistvo i upravljanje malim preduzecem. Centar za izdavacku delatnost Ekonomskog fakulteta u Beogradu, 121.
30. PKS. (2012). PrivrednakomoraSrbije. Analizarezultataistrazivanja o potrebamaprivredeaznanjima I vesticama, <http://www.pks.rs/>.
31. Porter, M. (1980). *Competitive Strategy*. The Free Press, New York, 47.
32. Porter, M. (1985). *Competitive Advantage*. The Free Press, New York, 17.
33. Porter, M. (2007). *Konkurentska prednost*. Asee, Novi Sad, 31.
34. Senic, R. (1993). *Upravljanjerastom i razvojempreduzeca*. Savremena administracija, Beograd, 129.
35. Stoner, C. (1987). Distinctive competence and competitive advantage. *Journal of Small Business Managemen*, 25(2), 33.
36. Stosic, I., & Minovic, J. (2014). Benchmarking western Balkan economies. *Industrija*, 42(1), 149-170.
37. Susnjic, Dj. (1977). *Kritikasocioloskogmetoda*, Gradina, Nis, 215-237.
38. Susnjic, Dj. (1999). *Metodologija*, Cigoja, Belgrade.
39. Todorovic, J. (2003). *Strategijski i operativnimenadzment*. Conzit, Beograd, 301.
40. Todorovic, M., Mitrovic, Z., & Bjelica, D. (2013). Measuring project success in project-oriented organizations. *Management*, 68, 41-48. DOI: 10.7595/management.fon.2013.0019.
41. Verhees, F. J., & Meulenber, M. T. (2004). Market orientation, innovativeness, product innovation, and performance in small firms. *Journal of small business management*, 42(2), 134-154.
42. Veselinova, E., & Samonikov, M. G. (2012). SMEs Innovation and Growth in EU. *Management (1820-0222)*, 64, 87-94. DOI: 10.7595/management.fon.2012.0022.
43. WEF. (2016). World Economic Forum, *The Global Competitiveness Report 2015-2016*. http://www3.weforum.org/docs/gcr/2015-2016/Global_Competitiveness_Report_2015-2016.pdf (retrieved on September 2016).
44. Wiklund, J., & Shepherd, D. (2003). Knowledge_based resources, entrepreneurial orientation, and the performance of small and medium_sized businesses. *Strategic management journal*, 24(13), 1307-1314.
45. Wirtz, B. W., Schilke, O., & Ullrich, S. (2010). Strategic development of business models: implications of the Web 2.0 for creating value on the internet. *Long range planning*, 43(2), 272-290.
46. World Bank. (2016). *Doing Business 2016: Measuring Regulatory Quality and Efficiency*. Washington, DC: World Bank. DOI: 10.1596/978-1-4648-0667-4. License: Creative Commons Attribution CC BY 3.0
47. IGO. <http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB16-Full-Report.pdf>
48. Zack, M.H. (1999). Developing a knowledge strategy. *California management review*, 41(3), 125-145.
49. Zhou, K. Z., Gao, G. Y., Yang, Z., & Zhou, N. (2005). Developing strategic orientation in China: antecedents and consequences of market and innovation orientations. *Journal of business research*, 58(8), 1049-1058.