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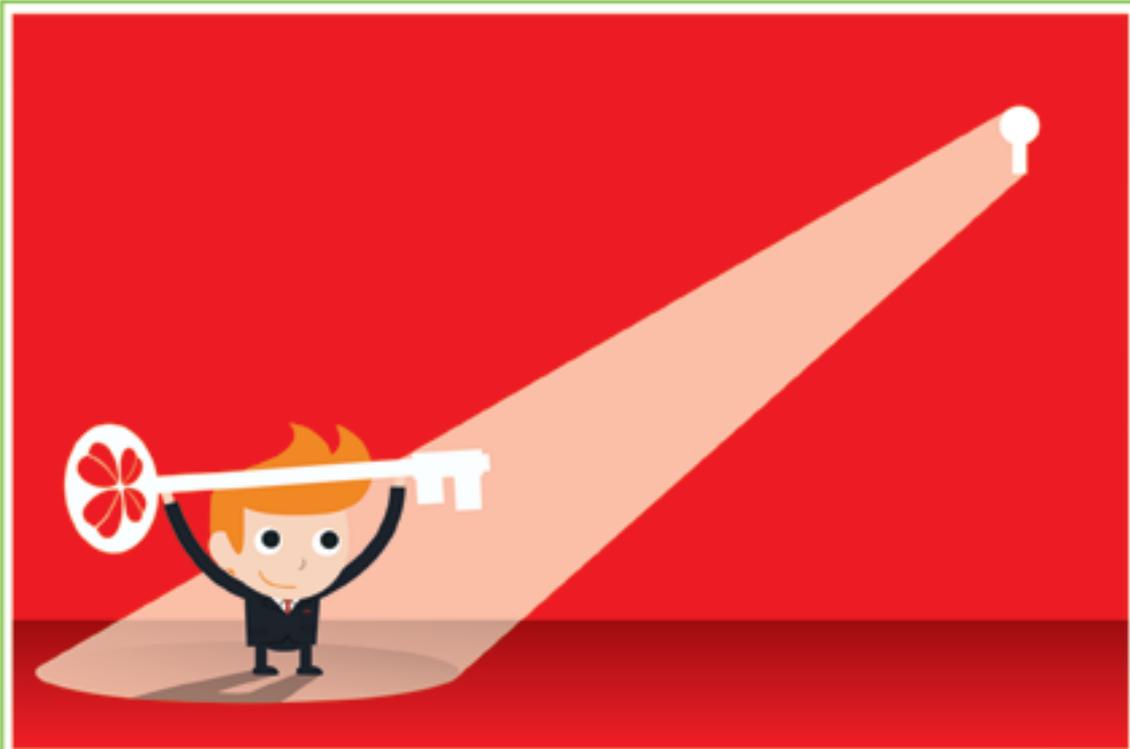
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Contents

- 2 Minister puts focus on technology and talent**
- 5 Ethics and entrepreneurial spirit drive sector**
- 10 Clearing the finance hurdle**
- 16 How entrepreneurs should see their employees**
- 18 Case Study: How can small companies retain talent
- 20 Promotion is the root of success**
- 22 Moving up the scale at cloud velocity**
- 25 Cloud providers
- 28 Fiscal framework should support local firms**
- 30 Leading from the front**
- 32 Conclusions**

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BR GUIDES

Minister puts focus on technology and talent

Maria Grapini, Minister of SMEs, the Business Environment and Tourism, shares her take on the current state of Romanian SMEs with Business Review and outlines the main measures that should be taken to encourage their development on the local market. **Anda Sebesi**

How has the economic climate for SMEs changed in the past few years?

Romania has a disproportionately low number of economically active companies - 700,528 at the end of August 2013 - compared to its population of about 20 million. This means a low density of SMEs, about 60% of the European average, unequally distributed around the country's eight development areas. In addition, negative demographic trends were reflected in the low number of companies registered in 2012. Between January 1st and August 31st this year 92,227 companies were registered, compared to 91,097 in the same period of last year. This means an increase of 1.24 percent. If the growth in the registering of new companies in the first half of this year continues through to the end of 2013, we will reach the peak of 143,808 newly registered firms posted in 2008.

SMEs are one of the main engines of any economy. What do you think should be

done in Romania to make SMEs stronger on the local market?

Boosting the local SME sector can be done by adopting several measures. Supporting new companies (start-ups and spin-offs) in their first year of operational activity in order for them to survive on a competitive market is one such measure. In addition, there is a need to encourage entrepreneurs and executive managers of SMEs to grow and extend their businesses in the fastest way possible and to support mainly those SMEs that are directly productive from industry, agriculture, tourism, construction and transportation through financing and promoting projects. Another measure is to improve the business environment for SMEs by getting inspections done more quickly. Also, it is important to invest in new technologies and increase companies' capacity to attract and retain individual creative talent. It is also important to reduce the entry barriers to the market



for new companies and the exit barriers for unviable ones. Last but not least, it is about consolidation of entrepreneurial networks and dissemination of the relevant market information among them. In addition, there is a need for SMEs to go international.

How big is the gap between the Romanian SME sector and that of the European Union?

Although in general Romania enjoys a functional market economy, there are

many disturbances in certain sectors, especially in rural areas and small towns. In these areas the sustenance economy is predominant and the public administration is not open enough to the needs of local entrepreneurs. Compared to many other EU members, Romania has a pronounced imbalance in the distribution of companies at local level. Some regions are home of a relatively large number of SMEs while others have fewer businesses, especially micro-enterprises.

In Romania, an SME employs on average 5.8 employees compared to 4.2 in Europe. In addition, the average value of labor productivity for SMEs is 72 percent of that posted by large companies. This value is similar to that of SMEs from the EU 27 (EUR 32,000 for micro-enterprises and EUR 59,000 for large companies). As for the density, in Romania, there were 35 SMEs/1,000 inhabitants in 2012 compared with an average of 41 SMEs/1,000 inhabitants in the EU 27.

How do you think the SME sector will develop in the coming years and what will drive it?

The implementation of current public policies to encourage and develop SMEs will bring about significant progress by 2020 if certain criteria are met. Many SMEs must become large companies or secure a certain segment of the local market. The contribution of SMEs to the national GDP could increase from 55 percent now to about 70 percent, if micro and small enterprises extend their reach. This would increase their resistance to potential economic impact.

Second, although there are SMEs that benefit from strong technical expertise, their products are not yet known internationally. Regardless of the support for investing in new technologies and training personnel in using them, SMEs have become more competitive on the local market, but they still lag behind similar companies from other countries which outrank them in terms of innovation and experience in developing businesses at an international level. There is a need for

more intense promotion of Romanian brands on the international market and an increase of trust in products originating from Romania.

Third, there are still difficulties in accessing financing for high performing SMEs that make competitive products. At present, SMEs must work hard to convince lenders or investors. Better cooperation between lenders and SMEs could lead to a relaxation of the financing conditions, a reduction of financing costs and financial assistance being granted to companies for large projects (investing in new technologies, modernization, research, development and innovation). We have formed a partnership with CEC Bank and the Romanian Banking Association (ARB) in order to ease SMEs' access to financing.

Last but not least, a significant number of SMEs have increased their competitiveness by creating clusters and networks. By regulating and eliminating the financial, fiscal and logistic mismatches, the manufacturing and supply chains have been better integrated, easing the development of businesses based on efficiency and trust between companies. SMEs have been encouraged to become part of a cluster or network of enterprises from the same field of activity or an upstream/downstream one. Within clusters, the Romanian state has promoted and supported the interconnection of SMEs so that they can integrate and create supply chains where every SME can be both supplier and customer. This leads to the creation and consolidation of value chains in different fields of activity that are capable of driving a whole branch of the economy.

Ethics and entrepreneurial spirit drive sector

Romanian SMEs are facing the same economic difficulties as any other large local or multinational company. In addition, because of their size, banks are reluctant to lend them money when they need to extend their business on the local market or abroad. But by encouraging Romanian entrepreneurs and their businesses, the local economy can grow steadily with a focus on sustainability. **Anda Sebesi**

Like many players on the Romanian market, SMEs have been hit by the ongoing economic crisis. Many small companies simply folded, while the majority have suffered due to the delays in cash flow from their activity. The past few years have seen SMEs focus on surviving rather than developing on the local or external market.

SMEs play a crucial role in an economy. They are entrepreneurial firms that try to solve the problems generated by the economic disruptions.

“In many cases these companies operate in fields where the necessary investments are small and opportunities to increase quality are high. These fields are in general connected to services,” says Dragos Cabat, managing partner at the consultancy company Financial View. He says that as the

economy develops SMEs will appear that are specialized in manufacturing, acting mainly as partners or subcontractors of large companies. “However, in any significant economy the greatest weight comes from SMEs that are active in the field of services,” adds the managing partner.

According to Cabat, in developed countries services tend to account for over 60 percent of gross domestic product (GDP).

“Romania is aligned with this trend but because it is one of the countries with the lowest salaries in the EU, and due to the reshaping of foreign direct investments on the local market, there may be an increase in the number of SMEs specialized in manufacturing. However, SMEs from the service sector will remain predominant,” adds Cabat.

Statistics show that at present there is a difference between the development of the regions in Romania due to the geographical conditions, existing infrastructure and traditions of each area. “However, the majority of services are common to all the regions of Romania. So the gap between the presence of SMEs between different areas of the country will decrease in time,” predicts the managing partner.

SMEs face tough times...

Maria Grapini, Minister of SMEs, the Business Environment and Tourism, says that the government’s main problem in the past two decades has been - and still is - the lack of enough formal businesses in Romania compared to the current population and its general development potential. This is even more important as the context of the EU allows for the sustainable, long-term development of the country. “In addition there not enough large businesses in Romania that are competitive at international level,” says Grapini. “The main problem is how to launch or refresh local demand for products and services that correspond to the ranges of new or existing companies from a specific area - especially rural areas and small towns.”

According to her, the government has identified several specific problems facing local SMEs at present: few active such firms in the economy, few medium-sized companies, and too many firms that operate in the intermediation field (especially in commerce). Plus, according to statistics, one out of two new companies disappears from the market in its first operational year.

And things don’t stop here, as SMEs encounter other obstacles on their way to developing and reaching maturity.

“From the macroeconomic perspective, the problems that SMEs face now are their financing methods, the lack of qualified personnel and excessive bureaucracy and taxation. We must support their investments, simplify procedures to access European funds and allocate a large sum of money from European funds to SMEs for the 2014-2020 period so they can invest in new technologies,” says Grapini.

But what is a significant problem for some people could work to the benefit of others. For example, SMEs could capitalize upon the high youth unemployment rate in Romania, which Mariana Campeanu, the Minister of Labor, described earlier this year as an ever more serious problem. “One solution to this problem could be SMEs, which can provide jobs for all youngsters that want to work in Romania. In general, multinationals employ only those who are highly educated or so-called ‘heads;’” said Campeanu on the occasion of the launch of the White Book for SMEs. She added that there are some areas in Romania where unemployment reaches 25 percent among youngsters.

At the same time, Campeanu also said that there are several national programs or ones financed from external funds that encourage companies to employ young professionals. “The European Investment Bank decided to help all entrepreneurs from SMEs with facilities to employ youngsters. The budget for this program is EUR 6 billion. We need to see how to cash this money in 2014 because there will be fierce

competition to attract funds,” said the Minister of Labor.

Meanwhile, at the beginning of October, the deputy prime minister Daniel Chitoiu stated that he hoped that the draft SMEs law would be adopted by the government by the end of the month. It will cover, among other issues, ways to create seed funds from European sources in order to encourage SMEs. And there is further good news. Small companies can now get access to up to RON 5 million from lenders to finance their working capital. The loans are 50 percent secured by the Romanian state as part of a three-year program, with a secure limit of RON 2 billion. The guarantee will account for a maximum 50 percent of the financing on offer from the National Fund for Securing Credits for SMEs (FNGCIMM).

Top priorities for Grapini

The local context requires measures to support the business of existing and newly formed companies, and Grapini has drawn up a list of priorities in order to achieve this goal. According to her, there should be greater ethics, which will lead to an equitable business environment. “In addition SMEs need better access to financing. This could be achieved by consolidating and diversifying the financial instruments in order to support the development of SMEs and assure their complementarity in the context of the politics of regional development,” says the Minister. Another priority is to encourage SMEs’ innovative spirit. This could be done by supporting businesses that seek to increase product quality or use eco-effective business models,

How to make life easier for SMEs

- Address the major lack of qualified personnel in various fields by reviving professional and vocational schools and correlating supply and demand for jobs at the level of ANOFM;
- Reduce the number of documents SMEs must fill in;
- Encourage SMEs to reinvest their profit in industrial and technological investments.

promoting e-commerce and increasing the protection of intellectual property. The development of the entrepreneurial education system by cooperating with the Ministry of Education to create a dual education system could also help local SMEs. “SMEs require access to logistical resources through connection to service networks for business and access to training and consultancy. A functional logistics system for both suppliers and distributors is also necessary,” she adds. Grapini is calling for the setting up of programs to promote Romanian brands and the preparation of a schedule for European funds for 2014-2020, in order to post a better level of absorption among SMEs.

Local entrepreneurial spirit

According to Global Entrepreneurship Monitor statistics cited in a recent study conducted by Akcees, Romanians are fans of entrepreneurship, as 48 percent of the active population would like to run their own business, compared with the European average of 37 percent. The research found that Romanians’ inclination for entrepreneurship can be explained by their low salaries

and their assumption that they could earn higher incomes if they were entrepreneurs. However, half of the Romanian respondents said that they did not have the financial resources needed to start a business, compared to 21 percent of respondents from the EU.

According to Akcees researchers, Romania is among the European countries with the highest regard for entrepreneurship. Romanians' positive attitude influences their likelihood of becoming an entrepreneur as does the level to which they are supported by companies, whether in gaining access to finance, partners or mentors. Some 71 percent of Romanians consider entrepreneurship an excellent career alternative compared to just 58 percent of Europeans. In addition, 74 percent of local people think that entrepreneurs have privileged status in society.

The study also unearthed some problems that start-ups now face regarding their sustainability. Although Romania is ranked sixth in Europe for its total entrepreneurial activity, with 9 percent of its active population being in the phase of starting a company, or

considering doing so, over 50 percent of new initiatives fold during their first 42 months, a critical period.

Researchers at Akcees believe that the Romanian state should scrap programs designed to help people set up new businesses, and instead focus on the sustainability of existing ones by improving the quality of entrepreneurial education programs. They also underline the importance of a connection between education and the business environment, saying the educational curriculum should be adjusted to the market conditions.

Last but not least, the private sector can also make a significant contribution to the development of local entrepreneurship by implementing quality programs involving training, events and competitions for entrepreneurs. For example, Banca Transilvania founded The Romanian Entrepreneur Club back in 2006 in Cluj-Napoca, in a move to provide support for Romanian entrepreneurs through services and access to specialized information. Currently The Romanian Entrepreneur Club has about 18,000 members nationwide.

Status of SMEs 2008-2013						
Category	2008	2009	2010	2011	2012	2013*
Founded	144,239	111,832	119,048	132,069	125,603	92,227
Ceased activity	12,019	134,441	66,428	21,086	24,078	15,652
Folded	3,762	30,105	8,191	11,660	22,500	15,698
Final closures	17,676	43,713	71,146	73,244	71,746	54,206

* January 1 2013 – August 31 2013

Source: The National Trade Register Office (ONRC)

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ROMANIA'S PREMIER BUSINESS WEEKLY

Clearing the finance hurdle

Getting money is probably one of the biggest challenges an SME can face. The range of financing options is fairly wide, as lenders continually come up with different products for the segment. But an SME should be aware that a bank will always look more favorably on a strong business plan and a sustainable company.

Anda Sebesi

The major problem facing the average SME on today's local market is how it can get the financial resources necessary to start its business or develop it further. Many creditors are prudent, or even reluctant, when it comes to handing money to start-ups and even medium-sized companies. But it is obvious that without financial resources no company can achieve its goals. And this lack of money can jeopardize a firm's very survival. "I think that the difficulties facing SMEs now in getting financing from lenders are due to multiple factors. First, some companies have a high level of debt. This, in addition to a decline in their businesses, greatly hinders their chance of gaining to access new lending facilities. This is why we have seen an increase in insolvencies. Second, financing costs have increased, especially because of changes to the specific legislation," says Traian Halalai, president of EximBank. He adds that, despite this,

there remain good businesses that deserve to come to the attention of lenders. "At EximBank we have managed to structure facilities to support the development of such businesses," adds Halalai.

A study conducted recently by the National Council of Private Small and Medium Enterprises in Romania (CNIP-MMR) found that about 91.3 percent of local SMEs fund their businesses through their own financial resources. Researchers also found that there is limited access to lending while SMEs face difficulties in their relations with their bank. This restricted access has several factors. First, lenders have adopted stricter requirements (including personal guarantees) when deciding to lend money to SMEs. Second, such loans attract high interest rates. In addition, banks use several standard quantitative evaluations for reliability without using qualitative ratings, found the study.

Difficulties SMEs encounter when dealing with their banks include a lack of transparency about the specific lending criteria for financing requests, a lack of information about the total cost of a loan, excessive bureaucracy and a scant information about the total adequate explanation when their applications are rejected. The study was conducted on 1,858 enterprises nationwide and included SMEs of all sizes from all regions of the country and fields of activity.

One interesting fact is that, according to The National Trade Register Office (ONRC) cited by Garanti Bank, 36 percent (about 400,000) of more than 1.13 million associates or shareholders of local companies are women.

Halalai of EximBank says that at present his institution has the capacity to compete equally with other lenders on the Romanian market on the segment of financing in RON and also has a competitive level of costs. "This is why companies have started to approach our bank with more confidence and the demand for our products is increasing. This is proven by the results we're posting, which show an acceleration of our lending activity compared to the end of last year," adds the president of EximBank. According to him, in the first nine months of this year SMEs were the main beneficiaries of the facilities offered by his bank, accounting for about 50 percent of its lending exposure. "It also helps us

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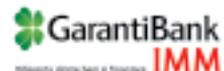
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Sources of financing for SMEs

Type of financing	2012%	2013%
Self financing	91.27	74.90
Bank loans	25.75	30.40
Supplier's credit	10.03	16.54
Leasing	2.93	7.80
Loans from IFNs	1.46	0.82
Non-repayable funds	1.03	2.10
Guarantee from FNGCIMM	0.92	1.46
Default of bills	0.65	2.45
Client's credit	0.54	1.57
Equity from the capital market	0.49	0.99
Factoring	0.22	0.29

Source: CNIPMMR

that we launched an application on our website that allows entrepreneurs to find out online both if they qualify in a first stage for a loan and the amount they could borrow,” adds Halalai. Any company that needs a short-term financial solution (one year) can apply. “In three months over 2,500 companies visited this section. That shows both companies’ need for financing and the fact that the launching of this service meets the expectations of the business environment,” he adds.

Lenders keep eye on SMEs

Many lenders have shown their interest in financing SMEs, coming on the market with a wide range of targeted products and services. BCR, BRD,

Raiffeisen Bank, UniCredit Tiriac Bank, Banca Transilvania and EximBank are some of them. For example, in September, representatives of Garanti Bank announced that the bank was offering EUR 22.5 million of financing to SMEs as a result of a lending agreement with the International Finance Corporation (IFC). The agreement was signed in order to support Romanian SMEs, especially those managed by women. The funds have been offered to more than 160 SMEs that operate in Romania in fields such as commerce, textiles, construction, tourism and services. “The program, launched a year and a half ago, is based on the lending agreement with the IFC and has proven to be a success. Our strategy is to continue to support SMEs and thus fuel this engine of the local economy,” said Ufuk Tandogan, CEO at Garanti Group Romania.

The lender currently has 22,000 SMEs in its customer portfolio, an increase of 20 percent on 2012. The total value of loans granted to SMEs represents 25 percent of the lender’s portfolio, while the majority of companies that are managed by women are active in Bucharest, Craiova, Covasna, Iasi and Galati. They operate in fields such as commerce (37 percent), services (13 percent), manufacturing (11 percent), health and social assistance (10 percent).

At the end of August, Raiffeisen Bank announced that it had increased its credit limit with the JEREMIE (Joint European Resources for Micro to Medium Enterprises) guarantee, offering a total of EUR 172.5 million to SMEs. They can obtain financing for

their working capital and investments for a period of up to ten years. The JEREMIE guarantee covers 80 percent of the credit and involves no costs for the companies. “Since April 2011, over 1,100 SMEs have benefited from attractive financing based on the partnership between Raiffeisen Bank and the European Investment Fund (EIF). These companies have thereby managed to grow and consolidate their businesses in a difficult economic context. The supplementation of the limit allocated to Raiffeisen Bank confirms our wish to be actively involved in the absorption of the European funds allocated to Romania,” said Vladimir Kalinov, vice-president of the retail division at

Raiffeisen Bank. Through JEREMIE, Raiffeisen can finance SMEs from fields such as manufacturing, construction, retail, transportation, tourism and services.

Elsewhere, UniCredit Tirioc Bank announced in mid-June that it had granted financing of about EUR 25 million to SMEs through the same JEREMIE initiative. The lender’s representatives said that around 100 SMEs had benefited from this financial product. The average value of a loan was in the region of EUR 280,000. According to the officials, most SMEs to which the bank lends money are active in fields such as wholesale trade, retail and the manufacturing of paper products,

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metal and rubber. About 50 percent of the total funds were absorbed by companies in counties such as Dolj (Craiova), Bihor (Oradea), Prahova (Ploiesti), Arges (Pitesti) and Botosani (Botosani).

“UniCredit Tiriac Bank is an active supporter of loans with a JEREMIE guarantee, and so it significantly helps SMEs to continue and develop their activity in a difficult context. Given the fact that SMEs are in general the worst affected by the economic turmoil, we are glad that through the JEREMIE

instrument of guarantee a total of over 1,500 SMEs from the local market have accessed loans of about EUR 160 million so far,” said Hubert Cottogni, deputy director and head of the regional business development at the EIF, in mid June.

At present, the EximBank portfolio includes both standard loans for the corporate segment and specific products such as state aid. The credit range includes loans to finance current activity, lending for investment and for export activity. “State-aid products

- loans with grant-aided interest - are available in more versions and they are offered to develop SMEs. This type of credit is unique on the banking market and has very attractive features. The major advantage is that the interest rate is five percentage points lower than the market rate and it is fixed for the entire duration of the loan,” says the president of EximBank. “It is a very important facility because of the grant-aided interest and the fact that fixed interest allows SMEs to have a very clear cash-flow.”

In addition, EximBank can offer state guarantees for the accessing of loans from any other commercial bank on the market and compensation that allows companies to recover up to 50 percent of the interest paid for their loans in RON taken out from any lender on the market. “As for demand, there is a migration from guarantees to credits. This proves that the corporate segment is starting to see EximBank as a valid lender, not just as an endorser for their loans from other banks,” added Halalai.

Last but not least, in June, Raiffeisen Bank announced that it was offering SMEs the opportunity to recover the VAT associated with the expenses incurred on business trips abroad. “Up to 27 percent (the maximum level of VAT in the EU) of business trip expenses can be recovered, so business trips abroad will cost a company less. In addition, the customer will benefit from consultancy about the European fiscal and tax legislation from our partner, Taxback.com,” said Monica Udrescu, executive director of the SMEs area at Raiffeisen Bank. The lender has more than 100,000 SME customers and

has issued over 57,000 Visa Business cards that generate annual transactions of about EUR 120 million.

Financing remains major obstacle

According to a study conducted recently by Akcees, access to finance is the main problem for both current and would-be entrepreneurs. The majority of respondents said that they were afraid that they would not manage to identify ways to finance their business. The same study found that there is a strong negative correlation between perceptions of access to finance and age: as individuals get older, they are less concerned about the availability of funds for their business. In addition, those who have not yet started their businesses tend to be concerned more about access to finance than active entrepreneurs.

Based on the results of the study, researchers recommend an improvement in access to information and advice when it comes to sources of financing. In addition, start-ups should benefit from more capital available such as grants or other “free money” and more sophisticated financing schemes offered by networks of angel investors or venture capital funds.

Romania has made significant steps in this direction because of the involvement of the private sector. Tech Angels (the first network of private investors in Romania), Geekcelerator (the first Romanian investment fund) and other venture capitalists that are inclined to invest in Romanian start-ups are clear signs of the development of the ecosystem and improvement of the current climate.

How entrepreneurs should see their employees

The staff is probably the biggest asset a company has. Regardless of its size, every firm should have a clear and well-designed HR strategy to help it achieve its goals and remain successful on a highly competitive market. **Anda Sebesi**

A business's human resources strategy is one of the main factors in determining its success or failure. Regardless of the level of development or field of activity, an entrepreneur must know from the beginning how to attract the best employees for his or her business and how to retain and motivate them on the long term. "An SME's HR strategy is no different from that of a large company. The golden rule is the same: to have the right people in the right place at the right time. It needs to be designed even before the launch of the business in order to leave enough time to find the right employees who meet the values and vision of the entrepreneur and, therefore, of the company they want to set up," says Lavinia Rasca, professor of strategy and entrepreneurship and general manager at EXEC-Edu.

The entrepreneur is the sole person responsible for creating the HR

strategy during a business's infancy. While there is no HR manager at this stage, as soon as the company starts to grow it is advisable to hire a very good specialist in the field. As Rasca says, if the HR manager proves competent, he or she should have the freedom to hire, train and retain the employees that the company really needs. "Some entrepreneurs say that in the competition with multinational companies to attract and retain talent they face two pressures. First, the lack of a brand for the company or product that captivates talented people. Second, the small budget, which doesn't allow them to offer attractive compensation packages," says the general manager of EXEC-Edu.

According to her, studies show that talented professionals want to work with performers, in an innovative environment, with entrepreneurs or managers that they respect and consider



role models and from whom they have something to learn. They expect their managers to trust and respect them and invest time, patience and money in their professional development. “They also want interesting tasks, freedom of action, constructive feedback, support from their organization and reasonable recognition,” adds Rasca.

Valuable employees do not put material concerns first. However, they don’t like to see the money meant for their professional development being used by their manager or entrepreneur in his or her personal interests. “They are aware that money belongs first

to their manager/the entrepreneur because that specific business developed as a result of his or her effort and risks. But they have also made a major contribution to the development of the company,” she says.

Last but not least, talented professionals don’t like to be repeatedly told what to do and how to do it when they have proved over and over again their ability to achieve goals and loyalty to the company. They also don’t like a boss who doesn’t trust them or has secrets from them, or one who wants the employee to think or act like him or her without explaining why.

CASE STUDY

How can small companies retain talent?



A while ago, a bank manager presented me with a business plan. He wanted to open a luxury beauty salon downtown, in partnership with several friends.

They had enough money to invest and cover their expenses for eighteen months at a high operational level. I read it very carefully.

Almost everything was well thought out. Plus, they had already taken some steps. They had the location and suppliers. The negotiations were almost complete, costs calculated and prices set. Who will manage the beauty salon, I asked. 'My wife.' Does she know the field? 'No, but she has an idea about it. She is always at beauty salons, she knows everything on the internet about it and is always talking with her friends about it.' But who will the hair stylists and beauticians be? 'We will find them! My wife has held an HR position at a bank for five years now!'

I was worried about the ease of his approach and I told him that the HR budget seemed too

small to me. But my companion was just happy that I had approved the market research he had conducted, the way he would promote his business and how the business would develop. Plus, he was in a rush. He thanked me and left. Standing in my office I knew that he would forget everything I had asked and told him before he had crossed the street.

We met a few months later and I asked him how the beauty salon was going. Had he opened it? 'Yes, but, as you know, even though our employees were very well paid they treated our customers awkwardly.

Some of them left and we hired new ones. They were arrogant and rude to us. My wife told me that it was easier to be an HR officer at a large corporation than to manage ten such people.' I wasn't surprised, but I was sorry.

All those wasted dreams, efforts and money! And how many employees who had left their previous jobs where they had probably done a good job (or not?)."



Lavinia Rasca,
professor of strategy
and entrepreneurship
and general manager at
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Promotion is the root of success

Promoting your business from its emergence on the market can start it out on the right road. But a promotional campaign is not enough to make your company a success. The quality of your product or service, respecting the promises you make to your customer, and the story behind both brand and leader are crucial in creating a solid business over time. **Anda Sebesi**

Every company knows that promoting its products or services using clear messages for a specific target will have a significant impact on its current and future success. Whatever the type of organization - SME, multinational or large local company - promotion has a well defined role. "Promotion is a very important factor for any individual or organization with something to say in a

market. I don't believe the theory that one specific organization needs more promotion than another. But I can say it is crucial in some fields of activity," says Elena Anghel, managing partner at A&M PR Agency. She adds that there are fields with little to gain from a PR perspective and companies that cannot afford to ignore promotional activities.

SMEs often lack the financial

resources necessary to roll out a promotional campaign. This is the first impediment to start-ups investing in their image and strategy from the off. "I think that this is the worst thing. I admire those entrepreneurs that run their business as well as possible from the start, despite the high costs of marketing and communication activities," adds Anghel.



Despite the financial constraints that any entrepreneur faces when setting up a business, promotional activities should begin as soon as a firm arrives on the market.

“Overseeing from the start the way a company communicates allows you to create awareness and a brand and even makes it profitable quicker. By contrast, a business that starts its promotion after several years of activity on the market can harm its image by its passive attitude,” adds the managing partner.

So how hard it is for an SME to promote its activity or product? Specialists say that if it knows very well its competition, and clearly identifies its target group, its strengths and what new elements it brings to the market, this will be easier. With a creative and real strategy at its disposal, any SME can create a brand. Anghel emphasizes that it is also important how you choose the PR company that will create and implement your PR strategy. “Plus, you need to do business right, according to your promises and messages delivered to the market.”

Some entrepreneurs prefer to promote either their personal brand or the story behind the business. This depends on the specifics of the company and the product or service it provides on the market. “In many situations I have chosen to develop a PR campaign starting from the leader of the company. I did this because I believe in creating a real story behind the brand, which represents the foundation needed to start building a brand,” adds the PR consultant. “I don’t believe in brands that are built

Three principles of an efficient promotional campaign

- PR does not generate sales but creates a favorable environment to attract them;
- PR generates long-term results. That’s why it is important to have an ongoing PR campaign;
- Effective promotion of a brand builds awareness and attracts people to invest in it. This generates sales and profit as a consequence.

Source: A&M PR Agency

artificially in the absence of their leaders. It is a different thing when a company departs from its leader at some point and becomes a story in itself. In the early stages it is better to build it with the person who created it.”

Many factors determine the success of the promotion of an SME: the real story behind the promotional initiatives, the leader of the company, how a company perseveres with its communication activities and whether the products or services meet the promises of the brand.

Specialists recommend SMEs use a mix of communication channels in their promotional campaigns to boost the efficiency and impact of their actions. “It is ideal to have a long-term PR campaign that develops on all media channels at the same time, including social media,” says Anghel. She adds that there are situations when either online or television needs to take priority over other media channels. However, the others must not be overlooked. “I don’t think that a PR campaign can be successful without using all media channels,” says the managing partner.

Moving up the scale at cloud velocity

Local companies in the cloud ecosystem are reporting growing adoption rates of this technology among SMEs. However, in spite of their efforts, cloud has still not reached critical mass in Romania, and many SMEs are still unaware of the competitive edge this technology can bring them, say proponents. **Otilia Haraga**

“The financial and operational upsides of the cloud are starting to be understood in Romania as elsewhere. Reports indicate that over 60 percent of large companies are using cloud in one way or another, while in the case of SMEs, the figure is close to 9 percent. Another 19 percent of SMEs are interested in using this technology in the future,” Bogdan Balaci, CEO of Ymens, tells BR.

He quotes a survey published last year by the European Commission, which found that 81 percent of companies in the EU using cloud technology have seen a drop in operational costs of up to 20 percent. Moreover, 41 percent of EU-based firms that are using the cloud have enjoyed, as a result of the adoption of this technology, a growth in productivity, while 35 percent have attracted new clients.

The financial gains of cloud adoption for an SME that is looking carefully at its operating costs are easy to quantify.

“The most visible and frequently promoted benefit is the fact that the

initial investment in IT is reduced or even comes down to zero. Furthermore, the impact of cloud technology can be felt on the business itself, through improved performance indicators,” adds Balaci.

He gives as an example the case of a company in the distribution field, with 50 employees, which was able to use its Integrator solution, an ERP in the cloud, to optimize internal processes and save more than EUR 14,000 in the first year alone.

SMEs that migrate to cloud can also get access to cost facilities. “All the main cloud providers offer between 30 and 90 free trial days for their services. Some of them, such as Microsoft, even have support programs for startups which include several years of free infrastructure and no monthly fee. So if you qualify for the program, you need no longer spend anything on infrastructure,” Alexandru Lapusan, CEO of Zitec, tells BR.

Another key advantage is the scalability of cloud solutions, which can

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have an immediate positive impact on the workflow and cost management of an SME.

“With just one click, you can make a super strong machine out of a slow one for two hours and then reduce its capabilities again, without having to be a programmer. So you can have more powerful machines during the day and put them back into minimum resistance mode at night, which allows you to reduce costs significantly,” explains Lapusan.

Alexandra Cojocaru-Skowronski, quality manager at Pras Consulting, tells BR, “SMEs are much more dynamic in adopting new technologies because the decision chain is much shorter. While SMEs generally have a problem with costs, the cloud is very cheap and brings the latest technology at a very accessible price.”

Gecad has also seen higher demand for the cloud solutions it offers, up by approximately 80 percent this year compared to last year.

“There are many firms, mainly in the private sector, interested in the benefits of virtualization and considering moving their information to the cloud within two or three years,” says Șerban Prejoianu, executive manager of Gecad Net.

However, the Eurostat 2012 survey found the usage of IT technologies among Romanian companies to be still in the early stages.

One of the main drawbacks of cloud adoption is the fact that the client does not have the data stored at its headquarters or even at a provider in the same city, says Cojocaru-Skowronski.

“Many clients are scared that the

cloud provider could access their data. From where we stand, they misunderstand the phenomenon. It is simple: who will steal your data faster - a local administrator who can change any-time or a large company that respects all possible security standards?” she reasons.

The quality manager notes that another delicate issue that comes up in discussions with clients is that, given that a cloud solution itself is relatively cheap, clients are not willing to pay a fair price to implement it.

One of the main obstacles to cloud adoption starts right at the top of the decision chain: SME managers do not know the technology or how they can use it to optimize their business well enough, Balaci points out.

“The main battle is fought in particular in the IT department where people are afraid to have the matter taken out of their hands. They are also concerned that they will lose their job once the company makes the transition to the cloud,” says Lapusan.

He says that such fears are groundless, because “once the company has moved to cloud, there is still a server to manage.”

“It is just about getting rid of certain not very productive activities - setting up cables, dealing with power cuts, and so on. Instead, they have time to focus on server management and do more for those machines, for instance to build up that system that they have wanted to build for the past five years and have not had the time. On the contrary, I would say that cloud has created jobs rather than eliminated them,” concludes Lapusan.

A complete calculation of costs involved in the usage of individual machines in current solutions indicates higher costs than the cloud solution, Razvan Stoica, CEO of GTS Telecom, tells BR. He explains that “the equipment, the upgrades, the low degree of using the solutions the company has at

its disposal, the staff that tends to the client servers, the medium where they are hosted, different energy needs, the cooling, content replications, human error, and lack of attention in budgeting are cost components that in reality lead to higher sums than the client had anticipated.”

Cloud providers

Appnor MSP

Cloud services: Cloud Servers, Private Cloud, VoIP & Hosted PBX, Implementation of Google Apps for Business (Google Docs, Gmail, Calendar), Postini Mail Services, Chromebooks, Geo and GSA
Contact: www.appnor.com/contact, contact@appnor.com,
Tel: (+4) 021.569.46.50,
(+1) 650.318.18.11

Bit Software

Cloud services: SocrateOpen ERP&CRM, SocrateBI, Google Apps
Contact: www.bitsoftware.eu, office@bitsoftware.ro, Tel: (+4) 0268.314.44.6

Gecad Net

Cloud services: SystemV private cloud system based on Microsoft technology
Contact details: www.gecadnet.ro,
Tel: (+4) 021.303.20.70,
Serban Prejoianu, executive manager
Gecad Net

GTS Telecom

Cloud services: public, hybrid and private Infrastructure-as-a-Service services, virtual machines, virtual hosting, storage and backup
Contact: <http://www.gts.ro/>;
Sebastian Pitei, presales manager,
e-mail: sebastian.pitei@gtsce.com

IBM

Cloud services: Smart Business Development and Test on the IBM Cloud, IBM LotusLive, IBM Smart Analytics Cloud, IBM Smart Business Storage Cloud, IBM Smart Business Desktop on the IBM Cloud
Contact: www.ibm.com/ro/ro;
Bogdan Alexandru Popescu, country delivery leader IBM Romania.
Phone: (+4) 0722.435.721, E-mail: bogdanalexandru.popescu@ro.ibm.com;
Viorel Delinschi, Managed Services Leader, IBM SEE; Phone: (+4) 021.405.82.11, E-mail: viorel.delinschi@ro.ibm.com



Infotrend Data

Cloud services: Microsoft Exchange Server, Microsoft SQL Server, Active Directory, Microsoft Office 365 (Microsoft Exchange Online, Microsoft Lync, SharePoint, Office Web Apps), Exchange Hosted Services, Cloud advisory services

Contact: www.infotrend.ro,
contact@infotrend.ro,
Tel: (+4) 031.43.26.425/ 426/427

Microsoft

Cloud services: Accessible enterprise solutions for SMEs: Office 365, Windows Intune, Windows Azure and Microsoft Dynamics CRM Online

Contact: www.microsoft.ro, info@microsoft.com, Tel: (+4) 021.204.70.40

Oracle Romania

Cloud services: Oracle Public PaaS (Platform as a Service), Oracle Aofware-as-a-Service solutions

Contact: <http://www.oracle.com/ro/index.html>; Ovidiu Achim (for Public PaS solutions),
e-mail: Ovidiu.achim@oracle.com

PRAS Consulting

Cloud services: public and hybrid cloud services based on Microsoft Office 365 (email – Exchange Online, unified communication Lync Online, portal – Sharepoint Online, MS Office Professional Plus licensing; management solutions based on Microsoft Windows Intune; document processing solutions based on

Fenestrae UDOCX; e-mail migration solutions from MigrationWiz)

Contact: www.pras.ro,
Claudia Chirca, account manager,
claudia.chirca@pras.ro

Softline Romania

Cloud services: Softline Cloud Solutions, Microsoft Office 365, Google Apps, Panda Security, Zscaler

Contact: www.softline.com.ro,
www.softline-group.com,
info@softlinegroup.com,
Tel: (+4) 021.387. 34.40

SAP

Cloud services: applications in the cloud for human resources, financial, acquisitions, sales & marketing, SAP Jam collaborative solutions, SAP HANA in-memory platform, Ariba solutions for the business network

Contact: <http://global.sap.com/romania/index.epx>,
Tel: (+4) 031.225.28.00,
info.romania@sap.com

Star Storage

Cloud services: StarVault: Connectivity, Collocation, Managed Collocation, Managed Hosting, Dedicated Server, Dedicated Storage, Cloud Server, Cloud Files, Remote Back-up, Remote Replication, Virtual Tape Vaulting, Managed Security Monitoring, Hosted Corporate Website, Hosted eCommerce Website, Hosted CRM, eArchive

Contact: www.star-storage.ro, office@star-storage.ro, Tel: (+4) 021.242.13.95

Company: TotalSoft

Cloud services: Charisma Business Solutions – Charisma eProcurement, Charisma Cost Control, Charisma HR Document Management, Charisma Workflow, Charisma Office Automation

Contact: www.totalsoft.ro,
marketing@totalsoft.ro,
Tel: (+4) 021.335.17.09

Ymens

Cloud services: Intranet cloud application, Integrator application, Facturator billing solution, the eMagazin solution for online store management; the Index solution for e-document management;

Contact: www.ymens.ro/ro,
Andrei Ionita, sales manager,
andrei.ionita@ymens.com,
(+4) 0735.450.107

Zitec

Cloud services: auditing and consultancy on cloud migration (AWS, Microsoft Azure, Rackspace), development and maintenance of cloud applications (AWS, Microsoft Azure, Rackspace), assistance in acquisition of cloud computing Microsoft Azure services;

Contact: www.zitec.com;
Ionut Cocias, business developer,
(+4) 031.710.01.14; cloud@zitec.ro

**The list is not exhaustive;
Cloud providers are listed
alphabetically**

Fiscal framework should support local firms

Although small and medium enterprises are a significant driver of the local economy, the current fiscal code is far from being supportive of them. Daniel Olteanu, partner at law firm Olteanu and Associates, tells Business Review how the economic context is affecting SMEs and what the authorities should do to encourage entrepreneurs to set up new businesses and support the development of existing ones. **Anda Sebesi**

Regardless of the economy or its level of development, a country's legal and fiscal framework plays a crucial role in encouraging new businesses and generating growth for existing ones. Both in Romania and Europe, small and medium enterprises (SMEs) represent about 99 percent of the total number of businesses. Under local law, SMEs are defined as enterprises that have no more than 250 employees, post an annual net turnover of up to EUR 50 million or have total assets of EUR 43 million or less. Annually, the Romanian state allocates funds equal to 0.4 percent of the GDP from the state budget to financing development programs, setting up new businesses and developing SMEs.

But while SMEs power the local economy, Daniel Olteanu, partner

at Olteanu and Associates, says that Romania lacks a fiscal framework to encourage their development. "Every year the government should approve programs to encourage the setting up and development of SMEs based on those drawn up by the National Agency for SMEs and Cooperation through consultation with the organizations that represent the interests of SMEs," he urges.

Many specialists say that maintaining the current level of taxes and VAT, in addition to the lack of stability in the fiscal framework, could lead in time to the relocation or migration of foreign investments to other countries. "By comparison, all taxes in Bulgaria are much lower than in Romania," says Olteanu. As a result, money coming from the so-called "grey economy" is

channeled into the real economy, so the temptation to avoid paying tax is smaller. “A comparative analysis could lead lawmakers to similar solutions if the results of our neighbors are better,” adds the partner.

Pros and cons of the existing fiscal framework

“The current fiscal facilities are wholly inadequate for companies’ development, while the bureaucracy is so complicated that any entrepreneur pulls back and focuses on increasing efficiency through his or her own resources: cutting back on the costs of personnel or resorting to insolvency/bankruptcy proceedings because of the lack of cash on the market,” says Olteanu.

He notes that in addition to the constant changes to Romanian laws, they are also very open to interpretation. “Both the fiscal code and the methodological norms for putting it into practice contain concepts, terms and expressions that are unclear, confused, susceptible to different interpretations or inconsistent and defective in application,” adds the Olteanu and Associates partner.

In his opinion, the current form of the fiscal code does not encourage SMEs to develop further. The fiscal consolidation measures taken by the government, combined with the effects of the economic downturn, have led to a microeconomic imbalance at the level of the real economy and a precarious balance at macroeconomic level. In such a context, local contributors try to find legal solutions to increase the efficiency of their activity.

“As a result, many activities have been outsourced at European level to more relaxed fiscal locations like Bulgaria and Cyprus,” says Olteanu. In his opinion, both at macroeconomic and microeconomic level there are two main options: to reduce expenses and to try to increase capital. “This principle is valid both for the simple economy of a household and for lawmakers,” concludes the partner.

Ways to improve the fiscal code

- Channel all tax provisions through the fiscal code and not through separate directives and laws;
- Add a specific chapter to the fiscal code with all the fiscal provisions applicable to projects developed with European financing;
- Allow late payments in order to support SMEs in temporary financial difficulty;
- Eliminate the difference between penalties for and interest on late payment and just keep some of them (a general late payment charge);
- Make the system of VAT at the moment of collection optional. At present, applying this system leads to the exclusion of SMEs from the economic circuit by the large companies that do not apply this system;
- Update the periods of fiscal amortization and adapt them to the current realities; scrap the limitation of the deductibility of expenses with fiscal amortization for cars that are used by a company in its operational activity;
- Facilitate the setting up and registration of a company for VAT purposes in a maximum of 10 working days as well as its registration ex officio in the Book of Intra community Operators.

Source: Proposals made by Olteanu and Associates

Leading from the front

“Management is doing things right; leadership is doing the right things,” says Peter Drucker. Whatever the field of activity, level of development or number of employees, an organization needs a leader who imparts his or her vision to the employees and generates success on the long term. **Anda Sebesi**

Many might think that there is no need for an SME to use terms like leader or leadership. But specialists argue that regardless of a company’s size, it needs a leader to develop it to a certain level. In such a context, what does a leader mean for an SME? “It depends on its size. If the organization has up to 30 employees, then the general manager or the administrator is also the leader who provides support, shows direction, communicates the vision and spends time with the employees to develop and give them feedback,” says Viviana Andone, learning architect at MMM Consulting. She adds that sometimes there is no difference between a leader and a general manager of an SME because the administrator of such a company plays many different roles at the same time, such as general manager, professional, expert and specialist.

But there are also cases when differentiation is required, and this is because people always need leaders. When the team exceeds 10 employees

the company should train leaders to support the staff. “I don’t see the leader as the person at the top of the company. The leader is the person next to you, who guides you, helps you and inspires you,” says Andone.

She admits that unlike the leader of a multinational company, who can hide behind systems and procedures if need be, an SME leader has more to do and more visible results. It is therefore clear that both the concepts of leader and leadership are valid for small businesses too. “I think that a leader must behave as if there are five employees when there is one, and so on,” says the representative of MMM Consulting. In her opinion, the vision behind developing an SME is where one starts building a business. “It is the reason a person decides to set up a company and it should be communicated to everyone as the business grows.”

In other words, the vision ought to be part of every employee, and it is the responsibility of the leader to imprint it on the team.

OPINION

Dan Boabes, CEO SimPlus

“The actions and the impact of a leader on the organization he or she manages are the same whether it is a multinational or an SME. A leader is an individual that inspires a group to follow him or her and imprints on them some values that the team will use to guide and help it act instinctively at key moments. If you are a leader of an SME it doesn’t mean that you don’t have the power, tenacity, responsibility and pragmatism of a leader of a company with 250 employees. The difference between a leader and a manager is how he or she manages things. When you say manager you think strictly of a person who manages his or her organization right, keeping the management as close as possible to the technical issues. A leader is much closer to entrepreneurial management. The message of a leader is more profound and seems to be assimilated by the team beyond the obligations of a simple employee. The leader is the head of a team that works assuming responsibilities.

It has been proven that entrepreneurial organizations are managed most efficiently either by small teams or a single manager. Today leadership is a process based on interaction. As for SMEs, leadership is a distribution of management responsibilities. The successful management of an SME means to encourage leadership within all employees. This will ultimately lead to the consolidation of a successful

entrepreneurial team. Specialists say that ‘entrepreneur’ is a plural rather than a singular entity. So entrepreneurial activity is a collective result rather than the achievement of a single person.”

Three key things about a leader

- **The leader is the person who created the company.**
He or she holds the future vision towards which you are working. Of course you also work for the brand, but you work especially because you trust that person and you believe he or she will give you what you need as an employee. Over time, things get complex because employees have plenty of needs to which the leader must pay attention in order to keep them happy and obtain best performance and productivity.
- **The leader is the model.**
People work better or worse because of their model. In order to be productive and high performing, employees have to believe in their leader and appreciate his or her way of doing things, getting results and multiplying success.
- **The leader means “safety” and trust.**
It is not just about a safe job, which is almost impossible to ensure in the current economic climate. People expect their leader to be really concerned about creating a sustainable business on the long term, to believe in the employees and generate trust.

Source: MWM Consulting

Conclusions

SMEs are one of the main engines of any economy, as their owners have the entrepreneurial spirit to try to overcome the economic turmoil. This is why there is a real need to boost the local SME sector and make these players stronger on the market.

Supporting new companies (start-ups and spin-offs) in their first year of operational activity, encouraging entrepreneurs to grow and extend their businesses in the fastest way possible and supporting in particular directly productive SMEs in the fields of industry, agriculture, tourism, construction and transportation are some of the measures that should be taken. It is also important to reduce the entry barriers to the market for new companies and the exit barriers for unviable ones so the economy can function properly.

But local SMEs are facing a raft of problems: few active such firms in the economy, few medium-sized companies, and too many businesses that operate in the intermediation field (especially in commerce). Plus, according to statistics, one out of two new companies disappears from the market in its first operational year.

By far, the major problem facing the average SME owner on today's local market is how he or she can get the financial resources necessary to start a business or develop it further.

At present, many creditors are prudent, or even reluctant, when it comes to handing out money to start-ups and even medium-sized companies.

In order for an SME to make sure it does everything possible to create the proper conditions for potential success, it has to invest in a promotion strategy for its products and

services. And this should begin as soon as a firm arrives on the market. But SMEs often lack the financial resources necessary to roll out a promotional campaign. And this is the first impediment to start-ups investing in their image and strategy.

A human resources strategy is another main factor in determining the success or failure of an SME. Although an SME's HR strategy is no different from that of a large company, an entrepreneur must know from the beginning how to attract the best employees for his or her business and how to retain and motivate them on the long term.

Last but not least, the legal and fiscal framework plays a crucial role in encouraging new businesses and generating growth for existing ones. Specialists say that Romania lacks a fiscal framework to encourage the development of SMEs. They add that maintaining the current level of taxes and VAT, in addition to the lack of stability in the tax regime, could lead in time to the relocation or migration of foreign investments to other countries.

In such a difficult climate, SMEs must focus on the cost efficiency of their operational activities. Using cloud technology is one of the ways they do this. According to a survey published last year by the European Commission, 81 percent of companies in the EU using cloud technology have seen a drop in operational costs of up to 20 percent. This type of forward thinking is just one example of how nimble SMEs manage to survive the daily rigors of doing business in these tough times and continue to drive the economy onwards

Anda Sebesi

SMEs

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