

SMALL AND MEDIUM SIZED ENTERPRISES – HISTORICAL AND THEORETICAL CONSIDERATIONS

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By presenting the three development stages for SMEs – 1) as craftsmen workshops in early capitalism; 2) the small industrial workshops in the period of industrial capitalism; 3) the new stage of SMEs which is underway and is specific to knowledge-based economy, the authors are making an analysis of the economic and sociological thought with respect to the relation between large enterprises and SMEs.

The main productive units of mechanical industry capitalism were the large enterprises, which were endowed with “force” technology (running belt and standardized high performance machinery) which could endure better competitiveness through the growth of production and the decrease of cost price.

The evolution of western societies has generated in a new phase a complex process related on the one hand to the beginning of the passage to the knowledge-based economy and on the other hand to major changes in social behavior, the passage towards a market whose rules are set according to the social and cultural criteria of lifestyle.

Under these new conditions, SMEs are entering a new phase in which they become the “norms” of development, ensuring the transfer of technological innovation to the whole of the economy, ensuring new jobs and increased changes for the improvement of people’s living standard.

The study also offers a multi-dimensional analysis of SMEs’ role and place in the current age, with major implications on the strategies that Romania could also follow.

Understanding and – especially – promoting small and medium-sized enterprises (SMEs) today needs a historical approach. As Hegel has shown, the historical presentation of facts permits us to understand them logically, because, by emphasizing the context, the factors and the consequences of these factors, we can see their current significance.

The first stage of analysis could be placed, for feudal Europe, in the context of craftsmen’s workshops and guilds. In other contexts than the European ones, we will be able to encounter “large enterprises,” a real “working machine”¹ which concentrate a large mass of people (the construction of pyramids in Egypt, of the first Temple in Jerusalem, etc.), but also technological means such as the copper foundry at Etion-Gheber (near Acala Gulf), big furnaces² and processing workshops and large manufacturers (for that time).³

In feudal Europe, the guild system has prevented the formation of big industrial production units. “The exclusive privilege of a profession organized into a guild is necessarily restricting competition in the town in which it is executed only to those admitted into the profession (...). The rules of the guild sometimes determine the number of apprentices

¹ L. Mumford, *Le mythe de la machine*, Paris, Fayard, vol. I, 1973, 258.

² P. Garelli, in vol. *Histoire générale du travail*, (coord. L. H. Panas), vol. 1, 1959, 67.

³ O. Hoffman, *Știință, Tehnologie, Valori*, Bucharest, Editura Lumina Lex, 1999, 39.

allowed for one master and almost always the number of years that the apprentice has to serve. The intention of these two rules is to reduce competition to a number that is much smaller than the number of those who would otherwise be willing to join the respective profession.”⁴. When A. Smith’s book was published, the factories based on water power had 300-400 workers and there were only 20-30 such factories in the British Isles. This explains why Smith neglected the fix capital, considering in fact that agriculture and not industry was the main source of British wealth⁵.

The main energy of production was the biological one (animal and, in manufactures, human). The great industry had not been invented yet. The industrial (machinist) enterprise is also a relatively recent invention and has not had any connection with the development of science in that age. Thomas Newcomen, who built in 1712 a steam machine for mining, was a locksmith; James Watt was a mechanic and in 1765 he built the first steam condenser; George Stephenson, whose name is related to the first steam locomotive, was the self-taught son of a stoker⁶.

Conventionally speaking, the industrial revolution was in full development around 1790⁷.

Until it reached its industrial phase, capitalist economy has known two other stages: simple cooperation and manufacture. Simple cooperation meant that several workers, having become salaried employees, would gather in the same workshop and would continue to work as before, that is, making a product from beginning to end. Working together created an “emulation” which increased productivity. Manufacture, based on manual work, the use of tools and the division of work by operation, permitted an increase of productivity only through extensive (quantitative) ways of increasing the number of workers and therefore of increasing capital.

This is why the first economic theories do not discuss other factors of production than the three “classical” ones: land, work and capital.

Mercantilism is the first economic theory that focuses on the favorable commercial balance and on the development of manufactures on the account and even to the detriment of agriculture⁸.

Thomas Mun (1571-1641) had shown that beside gold and silver, national wealth also consists of land, houses, consumer goods and so on. Mercantilists mention as a production factor, together with the land, the quantity of money (capital). Industrialist mercantilism has its promoter in Colbert (1610-1683) who focuses on the development of manufactures and the labor of workers.

Richard Cantillon (1697-1734), a thinker “at the border” between mercantilism and the “rise” of liberalism⁹, clearly states two factors of production: land and work: “land is the source or the material wherefrom wealth is extracted; man’s work is the force that produces it”¹⁰. It is understood that under these conditions, the issue of the large enterprise did not qualify as a theme of theoretical and practical interest.

The reaction to mercantilism was given by physiocrats as a reaction to the undermining of agriculture and its decay because of the application of Colbert’s theory.

⁴ A. Smith, *Avuția națiunilor*, vol. 1, București, Editura Academică, 1962, 85 (first edition in 1776).

⁵ M. Blaug, *Teoria economică în retrospectivă*, Bucharest, Editura Didactică și Pedagogică, 1992, 71.

⁶ J. D. Bernal, *Știința în istoria societății*, Bucharest, Editura Politică, 1964, 422.

⁷ M. Blaug, *op. cit.*, 71.

⁸ Ivanciu Nicolae-Văleanu, *Istoria gândirii economice*, Bucharest, Editura Didactică și Pedagogică, 1992, 24.

⁹ Ivanciu Nicolae-Văleanu, *op. cit.*, 41.

¹⁰ R. Cantillon, *Eseu asupra naturii comerțului* (written in 1720, but published in 1755). Refer also to Ivanciu Nicolae-Văleanu, *op. cit.*, 40.

Mercantilism was constituted through the promotion of the principle that supported the role of the government in the regulation of trade and of economic activities. Physiocrats appear as promoters of the “classical” economic liberalism, meaning they leave the state with a more and more reduced area of intervention into the economy.

This opposition should be remembered because it will come back with new strength in our epoch.

The point of view of state intervention is well formulated in the famous work by Bernard de Mandeville (1670-1733), *The Bees Fable* (1705): “The great art of making a nation happy and what we call blooming, consists of giving everybody the possibility of finding an occupation and, to make this happen, the first worry of a government, should be to facilitate all the fabrications, professions and crafts, as many as the human mind may conceive, and the second, to encourage all the branches of agriculture and fishing, in order to make the entire land make as much effort as man”¹¹.

The opposite point of view was promoted by physiocrats. The main principle of economic liberalism (“laissez-faire”) was formulated by Gournay Vincent (1712-1759). A. Smith founded the “classical” economic liberalism.

Physiocrats’ point of view was formulated by François Quesnay (1694-1774) in his work “*Tableau Economique* (1758) where he claims that the land is the only source of wealth and agriculture amplifies these sources, lands should be reunited into large farms which leads to the decrease of expenses and the increase of incomes. Trade freedom should be maintained because “the best and most profitable keeper for the nation and state is the complete freedom of competition”¹².

Quesnay speaks of three classes:

a) the class of producers, formed of cultivators

b) the class of owners, the safety of property is the foundation of the society’s economic order

c) the sterile class, formed of industrials: workers, owners, traders.

The one who founded the “classical” vision of the economic doctrine of liberalism was Adam Smith (1723-1790). As it is implied by the mention of his span of life, Smith lived in the pre-industrial epoch of capitalism, which will have determined a series of contextual limits of his thought. Here, we are interested in his ideas that have implications on SMEs.

The epoch is characterized by the domination of the manufacture system of guilds, the specific (in England at the time) economic development (growth) on the extensive way, the introduction of mechanic technology based on steam energy was only at the beginning¹³. This explains why in Smith’s analysis of production factors there is no explicit mention of technological invention, nor of scientific knowledge, and economic growth is seen only extensively, through the increase in the number of productive workers and, as a consequence, of the capital invested in the business.

The three production factors (land, work and capital) earn their economic justification, which is expressed by the principles of income distribution.

Work is the only creator of value, so that many “things” with a big value of use do not have change value: air, water, underground resources in their natural state, etc. This thesis will generate a lot of difficulties and practical errors, being an example of the negative involvement of theory on economic practice. Labor – “the only universal and precise measure of value and the only standard with which we can compare the values of different

¹¹ B. de Mandeville, *Fabula albinelor* (after Ivanciu Nicolae-Văleanu, *op. cit.*, 22).

¹² F. Quesnay (refer also to Ivanciu Nicolae-Văleanu, *op. cit.*, 28).

¹³ Let us remember that A. Smith died in 1790, which is considered by some (Blaug, *op. cit.*, 71) as the beginning of the industrial (machinist) revolution.

merchandises, in all times and in all places”¹⁴ is not, however, productive in all conditions. This is one of the great context limitations of Smith’s thought, and it has major effects in the vision related to SMEs.

Productive work adds value to the object on which it is executed, generating a distinct object or merchandise that can be sold, that lasts for some time after the work has been done.

Unproductive work is what we could call the work expressed by services, so that the contribution of the worker “disappears in the very moment in which the service is done and does not leave behind any trace or value that can afterwards serve for obtaining an equal quantity of services”¹⁵.

Although he admits that many social categories included in this work can be “among the most respectable,” they can refer to “some of the most serious and most important professions,” to the most noble and useful works, they do not produce anything with which one can afterwards buy or obtain an equal quantity of work. The work of all these – as is the actor’s performance, the speaker’s discourse or the melody of the musician - disappears in the very moment it was produced”¹⁶. It is interesting that Smith does not include anywhere the work of teachers or of scientists because these had, at the time, small effects on economic growth (as the work of the orator). His very serious conclusion is the following: “unproductive workers, as those who do not work at all, are all supported by the income”¹⁷. They are supported and maintained from what the productive workers can save and, especially from the land’s rent and the profits of the capital. Smith admits that a trained (more qualified) worker is more productive, just as a more expensive machine, but which justifies its cost through the added profit which it offers the capital. The trained salaried will receive what he or she has spent and an added profit. “The work that he or she learns to execute* is expected to bring back, besides the salary of an ordinary work, the whole expense of his or her training, plus the usual profit of a capital of equal value”¹⁸. And still, what makes a trained and more productive worker remains unproductive. This preconceived idea, resulted from the “objective” way of conceiving value as entirely generated by production and materialized in goods continues to be present in certain “modern” approaches.

This vision about “services” as being unproductive is, in part, present today and it generated major negative effects. Today, although education and research are, in fact, the main creators of value, they are still perceived by some people’s mentality and practice as unproductive, value-consuming and thus deprived of their due attention. A large number of SMEs are today great producers of value (income) through their service activities.

They have to be supported and treated not as secondary, as consumers of income but necessary for a “modern” society but as first hand productive units. Education should not be supported as far as we have “exceeding” funds for production but precisely because it becomes an essential producer of value, just as research.

Reducing productive work to the one that creates “goods” is today replaced by the new vision of “service economy”, of the “service enterprise”¹⁹.

We have to mention another point of view referring to work. Smith has a theory about the division of labor in the capitalist manufacture workshops, which are no longer submitted to the guild regime limitation. According to him, the division of labor created a “skilful” worker in that it reduced the “activity of each individual to a certain simple occupation and,

¹⁴ A. Smith, *op. cit.*, 28.

¹⁵ *Ibidem*, 223.

¹⁶ *Ibidem*, 224.

¹⁷ *Ibidem*, 224.

¹⁸ *Ibidem*, 72 (* - salariatul).

¹⁹ O. Giarini, W. R. Stahel, *Limitele certitudinii*, Bucharest, EDIMPRESS-CAMRO, 1996, 48.

by making of this operation the only occupation in his or her life, it no doubt increases a lot the worker's skill"²⁰.

This kind of "specialized" worker, who is in fact disqualified (in relation to what he or she was before, when a craftsman could make a product from beginning to end), cannot lead to the increase of productivity. Smith sees one possibility in the process of economic growth: "In order to increase the land's annual value of production and that of the nation's work, there are no other means except increasing either the number of productive workers or the productive forces of the workers used so far. It is evident that the number of productive workers can never increase too much except following an increase of capital or of the funds dedicated to their maintenance. The capacity to produce cannot increase with the same number of workers except following the introduction and of more efficient tools and machinery that make work easier and shorter or following a better distribution of work. In both cases there is almost always need of an increase of capital"²¹.

In other words, Smith seems to be the first one to have introduced the technological and organizational innovation into the process of economic growth. But, irrespective of the way used, economic growth implies an increase of capital, which leads to the idea of the enterprises' growth in size.

In his time, the majority of companies were small and medium sized but Smith launches the idea according to which the division of labor, the replacement of a worker who performs various operations with one who is "specialized" in only a few operations, leads to the growth of productivity following the increase of capital. Smith sees the social use of small companies in that they offer services needed by individual necessities. Thus, "if there were no butchery trade, each person would be forced to buy an entire ox or an entire sheep"²². But the main role in economic growth will be played by the companies that will be able to have the biggest working capital.

By introducing technological progress and organizational innovation as new factors of growth, Smith is leaving out the role of the manager, of the entrepreneur, reducing it to the activity of the capital holder (owner). Actually, Smith considers that "the persons whose capitals are used in one of these four ways* are in fact also productive workers. Their work, when it is well directed, is fixed and has as an outcome the object or the product put out for sale and, in general, it adds to the price of this merchandise, at least the value of their maintenance and personal consumption. The farmer, the manufacturer, the trader and retailer obtain their profit from the price of merchandises the first two produce and the other two buy and sell"²³.

In Smith's time, the boss was the owner and he or she was leading by virtue of his or her right of ownership. It is understood why Smith does not introduce leadership as a factor other than capital, although he makes a distinction between the leadership function and that of the capitalist. He uses terms such as "entrepreneur," "enterpriser," "owner" as equal terms for the capital holder.

Nevertheless, Richard Cantillon introduced the term of "entrepreneur" before" Adam Smith had published his work. In the work *Essay on the nature of trade* written in 1720, but published in 1775, Cantillon studied the people who use certain opportunities on the markets in order to buy cheaply and sell expensively, showing that "this type of activity does not involve production and does not need the absorption of the entrepreneur's personnel funds,

²⁰ A. Smith, *op. cit.*, 9.

²¹ *Ibidem*, 231.

²² *Ibidem*, 243.

²³ *Ibidem*, 243 [* - the four ways are: 1) improving and exploiting the lands, mines and fisher camps; 2) the capitals of manufacturer owners; 3) the capitals of wholesale traders ; 4) capitals of retail traders].

although he did that frequently. Briefly, for Cantillon, entrepreneurship is an issue of anticipation and wish, in assuming risks, which does not necessarily have anything to do with the employment of labor force in the productive process. Cantillon left no doubt on the difference between the functions of the entrepreneur and those of the capitalist”²⁴.

Entrepreneurship will later become an important production factor and will radically change the issue of SMEs.

Smith stopped at the processes of economic growth, noticing the tendency of increasing the role of large productive units in comparison with the craftsmen’s workshops of his time.

The second stage in the historical evolution of SMEs starts with the “industrial revolution” (1750-1790) and the emergence of the large industry.

The modern industrial revolution is based on the emergence of the steam machine and this paves the way for the great machinist enterprises²⁵. The modern industrial enterprise is based on the new technology for big productivity and takes further the internal division of work on operations (of manufacture), generating the specialization of machines as a means for practicing the new division of labor, gradually passing the ability of the worker to the performances of the machines. Working with the mechanical machine implies a larger and larger capital, the concentration of a high power technology, energy consumption and a larger and larger number of employees.

The old craftsmen’s workshops are faced with a difficult competition, many of them being unable to resist the fight with the big industry (with a larger productivity and smaller costs), and being “swallowed” by the latter.

However, a large part of these workshops are transformed into small industrial units, using certain machines together with the craftsmanship work. These are the real SMEs, the *second generation SMEs*, the small and medium sized industrial enterprises. Kept at the periphery of industrial economy in the beginning, having a relatively small share and playing a minor part, SMEs are now becoming more and more important. There is a sort of *symbiosis* between SMEs and large enterprises.

On the one hand, large enterprises are those capable of concentrating the main forces for research and development and of ensuring a large range of products at a smaller price. The mass production and consumption give competitiveness to large enterprises.

On the other hand, SMEs can “live” through cooperation with large enterprises, by offering the latter certain services (working in subcontracts, small suppliers, retail services and so on) and by covering certain niches that are not profitable for large enterprises²⁶.

It was the role of John Stuart Mill (1803-1873) to elaborate a theoretical basis for the supremacy of large enterprises. In his book, *The Principles of Political Economy* (1848), condemning A. Smith (the land and labor force being considered the two “original” production factors), Mill forecasts the development of business companies through economic progress via innovations which save labor force, land or capital²⁷. This thesis will be the basis for the theories related to the concentration and accumulation of capital, the growth in the role of large companies, but also the danger of monopole which Mill underlined. “The law of growth (accumulation) of capital” is considered one of the specific “laws” of the economy²⁸. In explaining this “law” Mill introduces the scientific and technological achievements, “which

²⁴ M. Blaug, *op. cit.*, 495.

²⁵ It is known that in its evolution, capitalism has passed through several phases: simple cooperation, manufacture, the industrial phase and now it is going towards the post-industrial phase (of the knowledge-based economy).

²⁶ When we approach the third generation SMEs, this symbiosis relation will gain new aspects.

²⁷ M. Blaug, *op. cit.*, 225.

²⁸ Ivanciu Nicolae-Văleanu, *op. cit.*, 79.

increases man's general power on nature, especially through the entire progress in knowledge and through the ownership thus acquired on the properties and actions of natural agents"²⁹.

K. Marx (1818-1883) will take on this thesis and make of it an argument for the necessity of getting rid of capitalists who become more and more powerful, economically speaking but fewer and "useless." From the point of view of our thesis, we have to mention a few aspects. Considering as "fundamental law for the capitalist development"³⁰ the increase of the organic composition of capital (through the absolute and relative increase of fixed capital), Marx concludes that the evolution of capitalism leads to the concentration and use of capitals, that is, of the size of enterprise and to the reduction of their number. Society becomes more and more "polarized" between capitalists (few in number) and workers, the "middle" groups becoming scarcer. It is precisely this kind of theses that have marked the idea that SMEs have no future in the perspective of the evolution of capitalism. The so-called "general absolute law of the capitalist accumulation" leads to the concentration of wealth at one pole of the society and of poverty at the other pole (by relatively and absolutely pauperizing the workers), depriving SMEs of all social and economic basis.

An important change in the economic thought and practice related to SMEs will be done by the so-called "marginal revolution." This is the passage from the "objective" kind of approaches to the "subjective" ones.

From Smith to Marx, the economy was based on an "objective" vision, considering the economic processes as being governed by "objective laws," which was leaving a small place for the action of the individual agents of change, including of entrepreneurs. Work was also considered a universal and objective "standard," value being created in the sphere of production and being independent from consumption and the behavior of consumers.

The new vision shifts the ground of the analysis of economic processes in the social space of the individual section, of the "real," concrete persons, whose behaviors are generated by subjective factors (preferences, habits, psychological inclinations, motivations). The economist's attention is now falling on the sphere of consumption, of exchange, of circulation, making value relative and subjective.

The strictly objective and unilateral approach of "classical economy" is replaced by a new vision, also unilateral, of the "neoclassical" economy based on subjectivity.

K. Menger (1840-1921) – a promoter of the Austrian school – sets in the foreground the individual, the value of a product being given not by the work that it comprises in the production sphere but by the measure to which it satisfies the needs of man on a descending scale in relation to its importance at a given moment.

With all its limits, marginalism still has today a real theoretical and practical importance. In the conditions the population's welfare makes people possess a minimum of endowment with consumer goods, the demand becomes to be differentiated more and more on subjectivity criteria. Usefulness no longer relates to an imperious need (the lack of the product) but to preferences regarding the same product through the differentiation according to the usefulness of the services it can satisfy. Under these conditions, mass production begins to restrict its area of acceptability, consumption dividing into reduced segments, which creates a favorable terrain for SME.

Alfred Marshall (1842-1924) showed that the theory of creation represents a subject that "until recently has been neglected." His interest for the formation of consumer preference remains justified today.

It is the merit of John Maynard Keynes (1883-1946) to have elaborated an economic theory based on a new paradigm, the so-called "Keynesian revolution" has marked the final

²⁹ J. S. Mill (see also Ivanciu Nicolae-Văleanu, *op. cit.*, 89-90).

³⁰ M. Blaug, *op. cit.*, 309.

end of the “laissez-faire” doctrine”³¹. By creating a „theory of organized capitalism,” Keynes brings to the center of economic theory the issue of the limits of market mechanisms and the necessity of state intervention into economy.

Keynes speaks about “three fundamental psychological laws” which govern solvable demand³²: 1) the law of the inclination towards consumption, the growth of consumption when incomes also increase, but also the saving of one part of the income; 2) the law of entrepreneurs’ inclination towards the marginal efficiency of new investments, the tendency to invest in relation with the profit quota they are after; 3) the law of the inclination towards liquid values, the preference to keep the saved money in liquid form, if the profit of their investment in productive domains are not larger).

Neo-Keynesians (Samulsen, Myrdal, Harrod and others) develop the thesis of state’s intervention into the dynamics of economy.

P.A. Samuelson supports the thesis of the necessity of directing market economy and correcting its functioning through induced mechanisms.

The public-private partnership has become today a fundamental principle in the economic policies of the European Union.

However, any exaggeration is wrong and dangerous. The liberal reaction to the Keynesian thought has not been waited for long. M. Eriedman brings again into discussion state’s withdrawal from the economy and the revamping of market instruments. As in the case of discussions regarding the objective or subjective approaches, those regarding the role of the state cannot be solved by a unilateral answer of the type or/or but by a complementary one, and/and.

The current analysis of SMEs also presupposed the role the state has in supporting them, but also the improvement of market mechanisms in the promotion of free competition. What is essential consists in taking into consideration that we live in an age when not only the answers to old problems can be modified but – what is essential – questions themselves are modified following the passage to a new kind of economy – the knowledge-based economy. And not only that, this passage to new economy is conjugated with other major processes: globalization, the passage from mass economy to personalized economy, the promotion of enduring development. In this new context, the issue of SMEs is radically modified. In the following pages we will try to present a few relevant theories that could offer an understanding of the opportunities and limits of SMEs development.

In the logic of mass economy, SMEs have a secondary position and no special perspective. The combination between the dynamics of mass economy and globalization processes and even the processes of the transition to the knowledge-based economy places small and medium-sized enterprises into various situations which are sometimes contradictory and even paradoxical. Mass economy functions on the basis of a standardization of consumer demands, which generates the standardization of products and of the criteria for conception, sale and consumption. In the context of the passage towards the knowledge-based economy, large enterprises have real advantages, as they are able to concentrate the main forces of research and innovation or own the means of access to the results of research and innovation. Globalization gives large enterprises increased strength in dictating the rules of competition through the capacity to innovate and to reduce the costs of mass products.

But the same processes can also induce an opposite situation. Globalization can lead to its paradoxical effect, namely the consolidation of proximity. The high costs of certain processes located at great distances can be avoided through procedures of initiating proximity

³¹ M. Blaug, *op. cit.*, 691.

³² Ivanciu Nicolae-Văleanu, *op. cit.*, 175.

relations in which the large company can develop a network of small and medium-sized enterprises surrounding it.

What is worth remembering refers to the impossibility of giving only one type of answers to the question: what is the perspective of SMEs in the current contexts? Various types of theoretical approaches fight over their verisimilitude, most of the time being complementary and not exclusive. As such, we will take into account structural theories which focus on the context and the company's behavior and theories based on the agent of change, on individuals, in which the main role belongs to the manager. We will find theories based on mass production and others that promote personalized production.

New factors will be brought into the discussion together with the "classical" ones (land, work, capital), namely the manager (the entrepreneur), knowledge, innovation, social capital or emotional and intellectual capital, etc.

One of the great sociologists who have brought into discussion these new issues is Daniel Bell who – especially – in his fundamental work *The Coming of Post-industrial Society* has the merit of having elaborated a "well constructed" (K. Popper) theory on post-industrial society (which he also calls the society of knowledge) and, within it, he has noticed the new role of small enterprises. Industrial society has as "archetype" the factory³³. "In the West, industrial society had three distinctive features: the growth of large corporations as the prototype of all business enterprises; the fingerprint of the machine and of its rhythms on the character of labor; the labor conflict as a form of polarized class conflict"³⁴. Dominating the production, large enterprises make way for the small companies especially in the sector of services. Small companies especially become characteristic in research, which could create another "archetype" for the post-industrial society.

The specific of the American model in economy is taken into account by D. Bell. "Size, in American words, means power and the size of the business has been perceived both as an economic threat and as a political one for democracy. Economic size is the equivalent of market strength or of the ability to control, within certain limits, the price of products offered for sale"³⁵. Lately, the economy has known a clear differentiation between size and market control. An even more important change has taken place at ideological level: size is no longer relevant for efficiency. This new reality has many and important practical effects.

Change is based on the essential role of innovation in the new knowledge-based economy. Bell is the one who brought into discussion new aspects of economy: management in the society and economy of knowledge as being centered on ensuring the quality of human relations. In this context, the concept of corporation has to be looked at from a different perspective. "Corporations are institutions with economic purposes but they are also ways of life for their members"³⁶.

Small companies can more easily ensure the satisfaction of the requests of the "new ethics." Bell anticipates by a long time the European Union by promoting the thesis of the corporation's "social responsibility" because "the corporation is a social world with social obligations regarding its members"³⁷ as well as regarding the community and the environment. Efficiency is based on criteria of value which go beyond the strictly economic aspects and this is why size is no longer the main criterion for efficiency (in the competition for the price). A new "ideology" of American business is developing and it involves a new

³³ Daniel Bell, *The Coming of Post-industrial Society. A Venture in Social Forecasting*, New York, Basic Books, Inc., Publishers, 1973, 162.

³⁴ *Ibidem*, 161.

³⁵ D. Bell, *op. cit.*, 270-271.

³⁶ *Ibidem*, 287.

³⁷ *Ibidem*, 291.

basis for “legitimacy”³⁸. SMEs can ensure efficiency without leaning on the advantages of size but on the dynamism, on the presence of small niches of the market, on the easy adaptability to the requests of consumers and so on.

Having become the new and main resource, knowledge offers SMEs the capacity to compete on the new markets through a management of innovation. Thus, the hi-tech, *third generation SMEs*, based on intangible goods, emerge and successfully compete with the large units on certain markets.

When Bell was publishing the above mentioned work, there was a new book that was published, with a shocking title: *Small is Beautiful*³⁹.

The volume makes a critical analysis of the economic philosophy and practice of the time. “One of the fatal errors of our time is to consider that the problem of production is solved”⁴⁰. The author introduces a new terminology, such as “natural capital” in order to emphasize the role of “nature” in the real production of values, the introduction of “wisdom” in the economy, science and technique, the questioning of the “endurable economy” on the basis of “wisdom” and “even to integrate wisdom in its own structure”⁴¹. The approach of “size” in economy becomes with Schumacher especially an issue of wise attitude, “larger and larger cars, involving bigger and bigger concentrations of economic power and more and more abusing the environment do not represent progress at all: they are just as many rejections of wisdom”⁴².

Scientists have to offer new methods which should be

- sufficiently cheap in order to be accessible to almost the entire world
- capably of being applied to a reduced scale
- compatible with the need for human creativity

Action at a reduced scale generates responsibility, the direct interest reduces the proportion of risk.

The perspective offered by Schumacher is different from Bell’s, as it focuses especially on the direct non-economic criteria (esthetics, ethics, ecology, etc.) “The entire history – like daily experience – underlines the fact that man and not nature provide the basic resource. The key factor of the entire economic development is the fruit of the human spirit (...) Therefore we can state that education is, definitely, the most vital of all resources”⁴³.

However, there are various theories in the space of scientific research which argue for one or the other position.

Theories which opt for *the primacy of large enterprises* in contemporary economy focus on contexts and company.

³⁸ *Ibidem*, 172.

³⁹ E. F. Schumacher, *Small is beautiful. A Study of Economics as if People Matterd*, London, Blond and Briggs, Ltd., 1973.

⁴⁰ *Ibidem*, 13.

⁴¹ *Ibidem*, 34.

⁴² *Ibidem*, 34.

⁴³ *Ibidem*, 99.

The theory of resource dependence

Put together by Californian sociologists Pfeffer Jeffrey and Salancik Gerold R., this theory is based on an approach that explains the way in which companies allocate resources through exterior factor⁴⁴.

Companies are not autonomous because they permanently depend on the resources they need. However, these resources are at the disposal of other companies that produce, trade and use them. They form “quasi-markets” in which various companies face each other for gaining ownership over the resources. Each company (organization) is placed in an inter-organizational network. In relation to the critical character (the importance of a resource) and the accessibility of this critical resource (insufficiency), the manager can design “counter-dependences”: modify the restrictions by using them on a longer span of time, modify the interdependencies (through merger, expansion, alliances, etc.), adjust the exterior environment (through collaborations and mutual employment) and modify the legitimacy of the environment (through political actions: obtaining important subsidiaries or other opportunities, accusing the competitors of breaching the regulations, etc.)

It is understood that the power to have access to the resources and of achieving “counter-dependences” gives increased chances to larger enterprises.

It is interesting that Pfeffer actually reaches a new vision. Placing in the foreground the innovative actions of companies, he announces the emergence of a “new era” characterizes by the tendency of individualization, self-actualization. This new situation leads to a change as far as the way of assessing the size of organizations. “If we do not trust the policies of large organizations we can draw the conclusion that smaller organizations represent a better alternative. Really, it is obvious that the medium size institutions in the U.S. is decreasing. This is due not only to the fact that we have become more an economy of services and less one of manufacturers, and even as far as manufacture is concerned, the medium size of enterprises and companies is decreasing”⁴⁵.

The new tendency consists in abandoning the fight for power and influence for a world of what is smaller, simpler organizations with a smaller internal interdependency, without internal discipline, etc.

The interdependency *between* companies grows with the increase of interdependency *within* companies. This would be another variant of the theory of source dependency. The diminishing of many corporations is being done through a process of reducing the personnel, the use of salaried employees with a partial, temporary contract, giving up the internal personnel services and resorting to other organizations for their recruitment, selection and training.

The theory of population ecology (Michael Hannah, John Freeman and Aldrich Howard). Just like the theory of resource dependency, the theory of population ecology presupposes the organization’s dependence on the resources, but it is focuses on the predominant action of the environment, leaving the organization with a more reduced space of action. Organizations that use a common fund of resources are competitively interdependent, forming a population. Three processes generate the dynamics of the population: the *variation*, usually generated by the management innovation through the emergence of a new organization but also through adapting those existent; the *selection*, as each niche can support

⁴⁴ Pfeffer Jeffrey, Salancik Gerald R., *The External Control of Organization: Resources Dependence Perspectiv*, New York, Harper and Row, 1978 (a se vedea și Hoffman Oscar, *Sociologia organizațiilor*, București, Editura Economică, 2004, 183).

⁴⁵ Pfeffer Jeffrey, *Understanding Power in Organization*, în vol. Tushman M. L., Anderson, Ph. (Editors), *Managing Strategie Innovation and Change*, New York, Oxford, Oxford University Press, 2004, 252.

a limited number of organizations and when their density becomes unbearable elimination begins; *preservation*, when density is not at limit. The environment is given by the organizations that compete on the same niche. The more these organizations are larger, the more they have an increased power to eliminate the competition by “starving” them (depriving them of resources) and eliminating them from the “lane”. Innovation can increase the power of survival by diversifying the necessary of resources and by introducing the company of less crowded niches. Small enterprises can survive as long as they “comply” with small niches wherefrom large companies cannot ensure their necessary resources. The ecological theory has at its center the principle of the dynamic equilibrium, the entrance and survival of companies vacillating in relation to the decrease or increase of the density around a proper equilibrium.

Evolutionist theories emphasize a “normal” process of enterprise growth. Newcomers usually begin by being smaller enterprises but, following the existence of mass production, will not remain viable. “In scale economies, the new enterprise has to grow in order to survive”⁴⁶.

The theory of a company’s evolution cycle outlined by Alfred Chandler offers a model of analysis of enterprise growth in the context of mass economy. “Chandler’s research offers a necessary theoretical model and a large empirical support for the growth of large industrial enterprises in American businesses”⁴⁷. Corporations that invest at the beginning in mass production and marketing embrace scale economies and the purposes which ensure them the initial leadership against future competitors.”⁴⁸.

Extending the theories regarding the companies’ life cycle to the evolution of industry in general, Kleppes Steven considers that “new industries go through three stages: a beginning phase, the growth – during which there are many new competitors; a period of exclusion, when many new companies are excluded in a short period of time; a maturity phase characterized by limited entry and exhaustion of existent companies”⁴⁹.

Chandler brought obvious examples according to which those companies that made early investments in order to make the scale and purpose savings have remained on positions capable of being defended for future stages. The importance of these of these advantages of the first actor can be seen as offering the best perspective for a historical analysis of businesses.

Together with the intervention of knowledge and knowledge-based innovations as new important factors in competition relations between companies, the theories that were placing in the foreground the growth in size and strength began to be less applicable.

New approaches emerge. They will underline the first hand role of the entrepreneur and of the knowledge-based innovations in the processes of emergence, survival and competitiveness processes. Together with this new perspective, the approach of small and medium-sized enterprises will be changed as well. They will no longer be regarded as secondary, protected, without strength for competition, but as representing the “spine” of the new knowledge-based economy. D. Bell’s ideas – most of them visionaries – will find a larger and larger applicability.

The new theories are not only “better” in explaining the situation of SMEs in the current contexts, but also important instruments of action on the basis of which the new

⁴⁶ *Observatory of European SME’s. SME’s in Europe 2003*, European Commission, 13.

⁴⁷ Chandler, Alfred, D., *The Visible Hand The Managerial Revolution in American Business*, Cambridge, Mass, 1977.

⁴⁸ Sull Donald N., *The Dinamics of Standing Still*, in vol. *Managing Strategic Innovation and Change*, Tushman Michel L., Anderson Philip (coord.), New York, Oxford, Oxford University Press, 2004, 108.

⁴⁹ *Ibidem*, 123.

economy of knowledge based on SMEs is raised, with “the small enterprises having to be considered the main generator of innovation, jobs and social and local social integration in Europe”⁵⁰.

Among the theories that argue for not only the possibility of SMEs existence in the current age but, more so, their growing importance, we mention:

The theory of resource allocation outlined by Bower J. (1970) and Burgelman R. (1983)⁵¹ present an opposite perspective to the resource dependency theory. According to this theory, allocation is an internal process in the company (compared to the dependency theory which emphasizes the exterior context), following the action of managers in the company hierarchy’s middle level. As such, organizations are not passive in their adaptation to the environment, in their supporting the environment’s pressures. The manager can generate *innovative answers*. It is precisely this new essential dimension introduced in the managerial calculation that brings new elements in the analysis of SMEs.

A theory that tries to unite the vision of resource dependency with that of resource allocation has been presented recently by the same Bower (together with Christensen C.)⁵². The theory analyses “the process through which the requests of a company’s clients mould the allocation of resources in technological innovation, a model which relates the theories of resource dependence and resource allocation”⁵³. The conclusions of the authors are the following: existent companies lead the industries in the development of all kinds of technologies – even the radical ones anytime technologies address the existent needs of consumers. The same companies fail in developing the simplest technologies, which were initially useful only on emergent markets, following the powerful connections on which they lean and the way in which resources regarding programs based on powerful clients are allocated.

The projects regarding technologies for which there are no clients yet fail following the lack of labor force and resources. Following the fact that the rate of technical progress exceeds the efficiency required by the market, technologies that initially are used only on emergent markets can later on invade some of the most important markets, carrying the new companies to the victory over the existent companies.

These aspects can be favorable for certain SMEs to successfully enter markets (not so long ago) dominated by powerful companies that are lead by their past success with clients.

We refer here to the “active inertia”, a term that can be used to “describe the tendency of an organization to persist in the activities that have contributed to their past success, despite the most dramatic changes in the competitive environment”⁵⁴.

Cluster models and SMEs

Current theories and practices in what regards clusters bring new and significant elements to the support of SMEs prospects in the current context.

In the past, clusters implied a practice which favored large and strong enterprises. In the early stages of industry, clusters, which were operating on production and mass consumption, were a means of blocking the access of new companies (especially small ones)

⁵⁰ *European Charter for Small Enterprises*, European Commission, 2000, 1.

⁵¹ Bower J., *Managing the Resource Allocation Process*, Irwin, Homewood, Il., 1970; Burgelman R., *A Model of the Interaction of Strategic Behavior, Corporate Context and the Concept of Strategy*, *Academy of Management Review*, 3(1), 61-69.

⁵² Christensen Clayton M., Bower Joseph L., *Customer Power, Strategic Investment and the Failure of Leading Firms*, in vol. *Managing Strategic Innovation and Change*, 70-91.

⁵³ *Ibidem*, 70.

⁵⁴ Sull Donald N., *The Dynamics of Standing Still*, in vol. *Managing Strategic Innovation and Change*, 121.

to the markets these companies controlled. Given the new economic conditions, based on knowledge and systematic innovation, SMEs have new opportunities to act.

Non-linear innovation models deal with innovation as being promoted by companies regardless of their size. "Very often, smaller and less informal organizations are at the origin of the most innovating way of thinking. This seems to be confirmed by studies which analyze neo-Schumpeter theories according to which the relation between the size of the company and the innovating result is non-linear. However, SMEs face a series of difficulties in promoting their innovative potential. The lack of necessary abilities, financial, managerial capability shortcomings or limited access to external networks often prevents SMEs from developing and innovating."⁵⁵

New visions based on entrepreneur practices and knowledge go beyond the "substantialist" vision on companies' environment seen as a given fact, as an existence outside the company and independent from the company, which acts through constraints and survival necessities.

Modern theories and practices consider the environment as a construction of the organizations, as a process to set up new tendencies and configurations by the organizations. Clusters and networks are created by the organizations which do not settle for adapting to what there is, but want to impose their own way of thinking and acting, creating new areas in the environment, reconfiguring the environment based on innovating strategies.

Clusters are usually created around a large enterprise, a research institute or a university, by the creation of a network of heterogeneous organizations (research-innovation, production, supplying, retail, consultancy, marketing etc.), which leads to "mega-clusters" or "clusters of clusters."⁵⁶ In these new structures, SMEs find a specific role – that of mediating the transfer from innovation creators to the innovative producers' table. Porter (1990) developed a "cluster-based theory" which presents the role of the environment molded on clusters.⁵⁷ The author underlines the way in which the innovative activity based on clusters is shaped by four significant factors: 1) the availability of high-quality and specialized innovative inputs (first of all, human capital and accumulated knowledge); 2) the local competitive context, including protection of intellectual property, local rivalry and openness to international competition; 3) the nature of local demand; 4) density and inter-connection of industries connected vertically and horizontally in clusters. In such clusters, SMEs find an environment favorable to competitive development, becoming high-tech SMEs and having an active contribution to the cluster's competitive strength.⁵⁸

Heterogeneous cooperation⁵⁹ networks have an increased capacity to promote SMEs by creating numerous kinds of organizations, which become "transfer operators" and play a very important part in the functioning of the network and of large companies.

These networks are designed to connect heterogeneous units as a type of activity (industrial enterprises of different sizes, research and education units, suppliers, vendors, financiers, consumers' organizations etc.), avoiding market relations between them.

Heterogeneous cooperation networks create a very favorable and varied business environment for SMEs; including "transfer operators," consultancy, experiment and analysis laboratories, incubators, specialists' training and employment units, "project integrator" units,

⁵⁵ Navarro Luis, *Industrial Policy in the Economic Literature. Recent Theoretical Developments and Implication to EU Policy*, European Commission, Luxembourg, 2003, 10.

⁵⁶ Navarro, Luis, *op. cit.*, 13.

⁵⁷ Porter M. E., *The Comparative Advantage of Nations*, New York, Free Press, 1990.

⁵⁸ *Industrial Policy in the Economic Literature. Recent Theoretical Developments and Duplications for Eu Policy*, 13-14.

⁵⁹ Callon M., Larédo Ph. Mustar Ph., *La gestion strategique de la recherche et de la technologie*, Paris, Editura Economică, 1995.

consumers' organizations, legal assistance offices etc. What is important is that industrial SMEs start collaborating with large enterprises by offering various services to them and benefiting from the innovation and knowledge transfer.⁶⁰

The new and important role of SMEs (especially of third generation SMEs) is based on a new theoretical view on economy development factors. The new factors of knowledge economy implied by the *entrepreneurial model* focused on two dimensions: knowledge and "entrepreneurial capital," are accessible to small⁶¹ and medium enterprises and give them competitive strength in the face of large enterprises.

A series of new theories arguing for SMEs' role in the new context of economy based on knowledge have been developed.

a) SMEs as autonomous unit which applies new ideas generated in large enterprises (the "spin-off" and "spillover" function of SMEs).

Audretsch⁶² developed a theory which moves the analysis perspective from factors outside the enterprise to individuals such as scientists, engineers, entrepreneurs, inventors etc., which become actors in the knowledge economy. The central issue becomes the way these agents act: if they have an important contribution to the development of a certain idea, they will try to apply it. If they are able to do this in the enterprise they are working in, they will not have any reasons to leave their job. But if, giving a great value to the idea they developed (as innovation) and if (also) they do not have the necessary conditions to apply this idea in the enterprise they are working in, they will be determined to set up a new enterprise through which to exploit their creation. The new small enterprise compensates for its lack of possibilities in research and development by doing a transfer operation or a "spin-off."⁶³

These new enterprises ("start-ups") are successful in "exploiting knowledge and experience from research-development laboratories of former employers."⁶⁴

b) SMEs' access to specialized niches. Porter⁶⁵, using some ideas from the population ecology theory, showed that the stronger the competition, the more it eases access of specialized enterprises to a niche of specific products. The explanation given by Jacobs as well⁶⁶ is that access and complementary services necessary to competition on specialized niches are handier to SMEs than to large enterprises.

c) The third approach to the entrepreneurial capitalism's role in SMEs creation refers to the generation of diversity among enterprises.

If in the precedent case entrepreneurial capital was generating an increase in the number of enterprises, this approach refers to the increase in the variety of enterprises in a town or city. Hannan and Freeman (the creators of population ecology theory)⁶⁷ underlined that each group of organizations (meaning those organizations that use the same resources of a niche) compete for survival. As a means to assure the necessary resources, the organization has at its disposal the capacity to differentiate (variability) through entrepreneurial innovations. Through this, an organization can survive (even when the ecological niche has

⁶⁰ Hoffman Oscar, *Întreprinderea în tranziție (Enterprise in transition)*, București, Editura Lumina Lex, third part.

⁶¹ *Observatory of European SME's*, p. 11.

⁶² Audretsch David B., Fritsch Michael, *Growth. Regim over Time and Space*, Regional Studies, European Commission, 2002.

⁶³ "Spin-off – a new company created to commercialize knowledge or the skills of a university or a research team" (rev. *Innovation and Technology Transfer*, European Commission, Luxembourg, 2002, special edition, october 23). We add the knowledge about an enterprise.

⁶⁴ *Observatory of European SME's*, 14.

⁶⁵ Porter Michael E., *Clusters and the New Economics of Competition*, Harvard Business Review, XI-XII, 1998, 78.

⁶⁶ Jacobs J., *The Economy of Cities*, New York, Vintage Books, 1969.

⁶⁷ Hannan Michael T., Freeman John, *Organizational Ecology*, Cambridge, Mass, Harvard University Press, 1988.

too many enterprises, exceeding the limit of accepted density). The difference (variability) extends the niche an enterprise is exploiting and increases its chances to survive.

SMEs have special capacity to “comply” on small, mobile niches, which are not formed completely, where larger enterprises manage with difficulty as they are more rigid.

Thus, the same theory (of population ecology) can be used in various managerial practices (arguing for the possibility or impossibility of SMEs development) in relation with the type of management used. In recent theories, which depart from the vision of mass production and consumption and which give priority to personalized consumers and to the innovative (entrepreneurial) management, SMEs have important opportunities for development, being capable of a greater flexibility and mobility on dynamic and differentiated niches.

There is also another way of classifying the theories related to small and medium-sized enterprises⁶⁸. The approach we present is based on taking into consideration of the manager’s role in the conditions of rapid change. Schumpeter emphasizes the issue of “competition based on innovation” in the light of a new paradigm entitled “dynamic capabilities”.

The theory of dynamic capabilities departs from three other paradigms put forth by a series of theoreticians, namely:

- **The competitive forces approach** developed by M. Porter (1980)⁶⁹ is based on the “structure-leadership-efficiency” paradigm common to the industrial organization. According to this perspective, the actions of a company can create defensive positions against competitive forces. Porter considers that the structure of an industry strongly influences the rules of the game as well as the companies’ strategic possibilities.

The model of competitive forces emphasizes five main forces: the barriers of market entrance, the risks of substitution, buyers’ power of negotiation, suppliers’ power of negotiation, rivalries between beneficiaries. These forces determine the inherent potential profit of an industry or sub-segment of industry.

In relation to these forces, a company can defend from certain industries, can become more attractive because it presents a series of difficulties compared to competitive forces (for example barriers at the entrance) which offers companies better opportunities to create enduring competitive advantages.

New companies, even if they are smaller, can be successful because of certain advantages of industrial structures (not of companies’ actions) to the measure in which these forces offer successful paths.

- **The strategic conflict approach** presented by Carl Shapiro in an article published in 1989 (“The Theory of Business Strategy”) focuses on the means which a company has at its disposal for influencing the behavior and actions of rival companies. Through the manipulation of the market environment, a company can increase its profits. Through commercial advertisements, fluctuating prices, the reputation of the company, cooperation, etc., it can manipulate its competitors. The “break” which a company can generate involves privileged positions regarding the product’s market, which favors large enterprises.

Compared to these two approaches, which present the privileged positions, be they generated by the competitive forces or by the capacity to manipulate the behavior of competitors, other theories start from the approach of building the competitive advantages through the entrepreneurial breaks generated at the fundamental level if the company’s efficient advantages.

⁶⁸ Teece David J., Pisano Gary, Shuen Amy, Dynamic Capabilities and Strategic Management, in vol. *Managing Strategic Innovation and Change*, 308-332.

⁶⁹ Porter M. E., *Competitive Strategy*, New York, Free Press, 1980.

These approaches start from the older discussion on the companies' strong or risk elements.

- **The resource-based perspective approach** underlines the company's capabilities and specific assets and the existence of mechanisms of isolation as main determiners of the company's performance.

The theory regards companies with superior systems and structures as being more profitable because they have smaller costs, they offer superior quality or more efficient products. The approach is focused on the breaks that appears with the limited specific resource company owners sooner than from the economic profits due to the position on the products' market.

The theory no longer starts from the contexts exterior to the company (as the first two theories did) but from the company's capability of acting against the opposing circumstances of the competition. Each organization has strong and weak, real and potential elements and it is important that one should try to lead the available resources to the advantage of the organization⁷⁰.

The success of a company consists in the capacity to find or create a "competition that is really special." In this perspective, certain SMEs can become competitive in the sense in which its management succeeds in building on the foundation of a specific capability which offers it advantages compared to its competitors.

The decision of the company in this perspective presupposes: a) identifying the company's specific resources; b) deciding on which markets these resources can bring the best results; c) deciding if the resulted profits are used efficiently.

- **The capability dynamics approach** (Teece David J. and others) extend the anterior paradigm in order to understand the way in which the competitive advantages are achieved, underlining two key-issues which have not emphasized in the above-mentioned approach.

The term "dynamics" refers to the capacity to renew the competences so that one can obtain the congruence with the changing business environment. The term "capabilities" expresses the key-role of strategic management in adopting, integrating and adequate reconfiguration of skills, resources and internal and external organizational functional competences in order to match the requests of the changing environment.

An aspect of the strategic issue regarding the confrontation of an innovative company in a world of innovation-based competition is that of identifying the difficult to imitate internal and external competences, those which are most probable to offer valuable products and services.

The competitive advantages involve both the exploitation of the company's specific internal and external capabilities as well as the development of new ones.

To the extent to which a company develops distinct and difficult to imitate advantages for itself, it can resist the competition and establish its presence on the market. Thus, a smaller company can create itself, develop itself and be competitive even in an environment that is dominated by large enterprises. The main element, according to capability dynamics theory, consists in identifying the elements on the basis of which the distinctive and difficult to copy advantages can be constituted and developed.

In order to be strategic, a capability has to be conceived for a unique and difficult to copy user need. The competitive advantage of a company consists in its managerial and organizational processes modeled on the position of the organization (its endowment with technology, intellectual property, client data base, external relations with the suppliers and with the associations) and on the alternative strategies the company has at its disposal. The

⁷⁰ Leonard-Barton D., Core Capabilities and Core Rigidities. A Paradox in Managing New Product Development, *Strategic Management Journal*, Varo, supliment, 13, 1992, 111-125.

companies' entering the market, their survival and development have to be treated according to the capability dynamics theory and not in relation to the products but to the competences or capabilities. Products are a manifestation of competences but competences can be expressed in a variety of products.

This approach focuses on the internal processes used by a company, the way they occur and the way their evolution. Through managerial and organizational products, one should understand the way in which events occur inside a company, meaning the company's routine elements, its models of current practices and training.

Products have three rules: coordination or integration (a static concept), training (a dynamic concept) and reconfiguration (a transformation concept).

SMEs can use these processes based on the advantages of decentralization, of local autonomy, on collaboration and partnership, differentiation and partial imitation, etc.

We will be able to draw *a few conclusions* from this (brief) outline of the theories that are able to explain certain aspects regarding the place and role of SMEs in the current contexts.

First of all, we will note that there is not one single "just" way of looking at things. In the evolution of capitalist economies there have been various contexts that have favored or not the existence and evolution of SMEs in relation with large enterprises. The current situation is also contradictory. On the one hand, certain processes and types of actors give higher chances to large enterprises (globalization, the passage to the knowledge-based economy), but, on the other hand, other processes (most often within the same great fluxes) create opportunities for SMEs (localization, personalization, differentiation, etc.)

Secondly, understanding the perspectives of SMEs also depends on the managerial point of view taken as a basis for practical preoccupations. Great opportunities are opened by the managerial strategies that are oriented towards taking into consideration the priority role of the manager as an actor that has autonomy, freedom and capacity for selective action. The manager can create "counter-dependences" and change the contexts, can take risks in generating new tendencies, can use the opportunities in an innovative manner and can modify the restrictions.

SMEs can competitively exploit the opportunities generated by new tendencies of the contexts such as personalization, the new market differentiation and segmentation criteria, etc.

Thirdly, taking into consideration the role of the manager, of the innovation (and break) strategies set the SMEs issue on another plan, namely that of the market dimension. Starting from the thesis which underlines the unequal and imperfect character of the markets, which has as effect, among others, the fact that in the competition processes it is not necessarily the best that wins, but the strongest, we can see that the change the competitors can follow different paths, sometimes even opposite).

Left to evolve in a *spontaneous* manner, markets can be oriented towards monopole situations, situations in which large enterprises, which can use power to block the access of small competitors, are dominating.

However, the same evolution of the markets could benefit of the advantages of small competitors offered to large enterprises.

Therefore, an *essential and new factor* comes into discussion: *the government* (the manner and not the institution). The passage from the spontaneous evolution to the "*induced development*" offers SMEs a favorable framework for development.

"The induced development" starts from the identification of certain possible tendencies of change (together with others) with a high degree of desirability and concentrates on creating the necessary conditions for these to become accessible and achievable.

The policies of the European Union as far as SMEs are concerned follow this orientation, trying to generate a friendly environment for their creation and development. However, the practical result depends on the managerial action of the actors that are competitors on the free market.

Fourthly, we will remember that the main role of the manager, in the favorable contexts generated on the policies for induced development, is not made itself.

Management becomes the art (ability) of identifying and exploiting in a benefic way the opportunities, of creating new opportunities by changing even the restrictions, of “driving” the enterprises on the most favorable routs in order to reach the *freely chosen strategy* and of assuming the risks of a road full of incertitude.

SMEs management becomes a distinct “capital” in the “art of leadership”.

The term of “entrepreneurial capital” wants to suggest the fact that the entrepreneur becomes him or herself a great resource at the disposal of the enterprise. Instead of, or complementary to other mechanisms of change (the size of the enterprise, the available capital, etc.) the entrepreneur becomes an agent of change, introducing new mechanisms of change such as: the transfer of innovation, source of new ideas, experimenter, specialization on niches, spin-off generator, initiator of alliances, user of clusters and networks, etc.