

National University of Political Studies and Public Administration

POLITICAL SCIENCES PHD. SCHOOL

**THE CONTRIBUTION OF STRUCTURAL INSTRUMENTS TO REGIONAL
DEVELOPMENT. CASE STUDY: ROMANIAN SMEs**

SUMMARY

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Key concepts: common public policies, policy and programme evaluation, competitiveness, neo-institutionalism, regional development.

Introduction

This paper has focused on the issue of the impact that cohesion policy has on private beneficiaries (small and medium-sized enterprises), with the aim of highlighting the effects on them, especially with regard to their competitiveness. The approach of the subject was based on the common points of several theories and fields of study, such as neo-institutionalism, public policies, program evaluation, and management.

The paper included two lines of research:

1) a theoretical research line aimed at establishing a model for the analysis of the effects of the funding granted through the cohesion policy, a model that can be applied in order to understand the changes entailed for the private beneficiaries;

2) a line of applied research, used to carry out a meta-assessment of the current impact assessment documents, but also to carry out an own research (questionnaire-based survey) in order to identify positive outcome on the private beneficiaries such as SMEs, to highlight changes at the organizational level, focusing on studying the factors with effect on their competitiveness.

In this respect, the aim was to highlight the effects of the funds granted through the cohesion policy on the internal dynamics of the SMEs, with the goal of establishing those factors that contribute to their competitiveness. The relevant question addressed in the research carried out was to what extent there are other factors that contribute — beyond the regulations, rules and constraints undertaken by signing the Funding Agreement — to the creation of an organizational culture that fosters competitiveness. In other words, the research aimed at analysing, from a neo-institutionalism perspective, the effects of the access to funding on private organizations.

The research was carried out taking into account funding addressed to private beneficiaries through the cohesion policy, as it covers most of the infrastructure/endowment and research-innovation investments. Cohesion policy also benefits from the most important allocation of resources among the European policies. The assessment of its implementation results is an important step in the planning for the next financial years. The research paradigm used in this thesis is based on a deductive approach, from general to singular, following the model policies-programmes-projects. The content analysis was carried out based on general data on the policies addressed to the SME sector, funding programmes, and on the official impact assessments. As regards the particular data obtained from the research carried out, they were interpreted in relation to the analysis model designed to explain, from the neo-institutionalism perspective, the effects of the funding granted through the cohesion policy on private beneficiaries.

On a theoretical level, we presented a series of inter-related concepts of interest for the research: common public policies, competitiveness, evaluation of policies and programmes. On a practical one, we analysed the evolution of policies and strategies at the European and national level with regard to the competitiveness of the small and medium-sized enterprises field, and we analysed the mechanisms for implementing the cohesion policy. The research pursued several dimensions, such as the analysis of the effects of the cohesion policy as reported by evaluations carried out by operational programmes and the analysis of the effects of the funding as they are perceived by the SME beneficiaries.

The structure of the paper

The paper is structured in five chapters, following the research objectives defined according to the methodology.

In the first chapter I presented the research methodology and the research design. The objectives pursued in the research were the following:

1. Defining the concept of competitiveness in the context of Economic, Social and Territorial Cohesion Policy;
2. Analysis of the design of specific interventions through structural instruments aimed at increasing the competitiveness of the SMEs;
3. The relation between the design of specific operational programs and their impact on the competitiveness of the SMEs;
4. The analysis of the effects of default funding addressed to SMEs on their competitiveness as seen by the beneficiaries.

In order to determine the factors influencing the competitiveness of the beneficiaries due to the access to funds granted through the cohesion policy, we have raised the following questions:

- ✓ How is competitiveness defined in political sciences? What are the dimensions of competitiveness from a social and political point of view?
- ✓ What is the role of the SMEs in strengthening economic, social and territorial cohesion at the European Union level?
- ✓ How is the competitiveness of the SMEs assessed through the formal framework for the evaluation of structural instruments?
- ✓ How do the private beneficiaries perceive the effects of funding and their structural instruments on competitiveness?
- ✓ What are the internal and external factors that affect the competitiveness of private beneficiaries?

The thesis started from two prerequisites related to the operating mechanism of the European public interventions aimed at reducing regional disparities by increasing the competitiveness of the SMEs field. Firstly, the paper was based on the causal link between the regional development and the development of the SME field, the latter being a necessary but not sufficient factor for achieving the objectives of the Economic, Social and Territorial Cohesion Policy. Following this line, the paper carried out an analysis on how the role of the SMEs is perceived in the implementation of common public policies. Secondly, the research was carried out based on the idea that the level of competitiveness is a key factor in the development of the SME field. In this

regard, the paper analysed the theories built around the concept of competitiveness at the European level in the context of the social market economy, on which the community model and the mechanisms through which it is operationalized are founded.

Thus, the main hypothesis on which the design of this research was based was the following: **The more SMEs benefit from funding through structural and cohesion instruments, the greater their ability to maintain and even increase their competitiveness.**

In **Chapter 2**, I developed the main concepts and theories used to carry out the research: I elaborated on the use of concepts such as common public policies, competitiveness and evaluation of policies and programmes. At the same time, we presented the theory of neo-institutionalism on the basis of which we interpreted the data obtained through our research. In order to address the issue of the effects of the financial instruments granted through cohesion policy on the SMEs beneficiaries, we have built a framework for analysing internal and external factors that can impact on the competitiveness of the beneficiaries to funding. The matrix of factors was structured in five dimensions, according to the main problems identified by SMEs in Romania, namely **staff employment and training, demand decrease, competition, access to finance and management quality.**

In **Chapter 3** I analysed the European and national policies and strategies aimed at increasing the competitiveness in the SME field and their dynamics, with the aim of highlighting the main support mechanisms and the way they respond to the real needs. As a case study, we analysed the economic, social and territorial cohesion policy as the main funding instrument for economic growth and regional development, presenting the implementation framework and objectives for the two planned program periods carried out since Romania's admission to the European Union. Institutional dynamics and policies influencing the environment in which SMEs operate and direct funding sources were analysed, in order to answer the question: "Which are the external factors that contribute to the increasing of the competitiveness of the SMEs given their funding through the cohesion policy?" As I pointed out in the literature analysis, according to the neo-institutionalism of rational choice type, the institutions define the rules of the game and shape the behaviours of the rational actors by using a system of incentives and sanctions. From this point of view, we can say that the SMEs activity is regulated by a series of laws, rules, policies and strategies that affect their competitiveness. In the context of Romania's admission to the European

Union, the legal and regulatory framework for the SME field has changed, as a result of the need for harmonization and application of the European regulations/strategies/policies, which led to an institutional change such as coercive (compliance with the rules) or regulatory isomorphism (similar specialization, common standards, joint working procedures). The institutionalisation of the SME competitiveness is supported by a regulatory framework that adapts to the requirements and strategic guidelines within the European Union.

Chapter 4 analysed the intervention system by means of the cohesion policy in Romania in order to answer the question: “What is the impact of these interventions on the SMEs and what changes occur on them and at the macroeconomic level?” From the neo-institutional perspective, the intervention system through the cohesion policy covers all the operational programmes and the specific areas of intervention, the means for monitoring and evaluating interventions, regulations and rules (funding agreements). At the same time, there are specific regulations that set the actors involved (Management Authorities/intermediate bodies, evaluators, beneficiaries), as well as actions (implementation, monitoring, evaluation, sustainability) and incentives or sanctions (obtaining/withdrawal of funding, corrections, etc.).

In Chapter 5, I focused on measuring the perception had on the competitiveness brought upon by the funding and on the analysis of the following question: “What are the organizational and external factors that private beneficiaries consider to have an impact on their competitiveness?”. An explanation can be provided by sociological neo-institutionalism, which claims that in uncertain conditions, the beneficiaries tend to copy those institutional models that were successful for obtaining the funding, which therefore leads to the mimetic isomorphism (procedures, types of activities, similar technologies are being copied). From the perspective of the new institutional economy, the change produced at the SME level in order to maximise the competitive advantage can be imposed (by rules, contractual clauses, monitoring and assessments), but also induced as a result of the identified opportunity and the need to find the institutional setting that will allow the expected effects to be achieved.

For data collection, an electronic questionnaire was used taking into account the national distribution of the respondents. The research was conducted between September 2010 and June 2021. The questionnaire was sent by email to more than 900 respondents via Google Forms, but responses were received from 70 beneficiaries, which accounts for a response rate of

approximately 7.77%. Upon the elimination of some irrelevant responses, replies from 62 respondents were considered.

Based on the analyses carried out, we can conclude that, on all the five dimensions addressed, obtaining the funding has had positive effects on the beneficiaries analysed in this research. From the point of view of the external factors, obtaining the funding facilitated the extension/diversification of the range of products/services, increasing their quality, and therefore the respondents feel less the existence of the competition. Access to funding can gradually have effects depending on the type of beneficiary, the internal influence factors and the management approach. The more organizations are oriented towards developing long-term strategies based on innovation and adaptation, the stronger the effects of funding are felt in terms of competitiveness. Maximising profit is the very reason of being of the SME organisations, and increasing their access to European financial resources is a factor that contributes to achieving it.

Funding is part of a rational process of analysing the organizational needs, eligibility criteria and the likelihood that the organization will remain competitive for at least 3 years after the completion of the project implementation. Thus, the decision to grant the funding is backed by economic factors (funding needs), technological (fast-pace emergence of the new technologies), social (brand capital) and contextual (competition, opportunities for entry new markets, etc.). Based on the interpretations made, we can find that, after conducting a cost-benefit analysis, the organisations with higher resources are more willing to access funding. This is also due to the fact that in the struggle for profit, the organizations focus on maximizing their competitive advantage and allocate the necessary material resources for it. The more resources an organisation has to allocate, the more it can afford to expand into new markets, innovate, create a competitive advantage, while the funding through the cohesion policy allows it access to such resources. In particular, recently established and small organisations are in constant struggle for resources, as they cannot survive without them.

Among the most important factors that determine the competitiveness of the respondents we mention: employees' adaptability, management, growth orientation. The legal and regulatory framework, adapted from European to national level, can be the guideline for the development of the SME sector, but performance can only be achieved by adapting it to the needs identified locally. Respondents are required to meet certain standards through funding agreement, but if they are not

performance-oriented, the effects of funding on the competitiveness can be limited. The process of obtaining and implementing funding creates new attitudes and values at the level of beneficiaries, as, on the one hand, they must obey the “rules of the game” and, on the other, maintain or gain a competitive advantage. All the rules and procedures that form the framework for implementing the structural instruments act as rules (social institutions). Therefore, the beneficiaries receive sanctions or rewards according to their behaviour. At the same time, actors must also comply with the regulations required by other constantly-evolving institutions (market, demand, and competition). Thus, the more adaptable an organization is, the more likely it is it can keep their competitive advantage.

Respondents’ ability to use other sources of funding is a factor that stimulates competitiveness, compared to other SMEs that do not have access to other sources of business funding. Moreover, innovation orientation is another factor that can contribute to the competitiveness of the respondents, given that there is a tendency to capitalise and institutionalize innovation.