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# Strengths and Weaknesses in the Activity of County Chambers of Commerce from the Perspective of Romanian Small and Medium-sized Enterprises

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## *Abstract*

*The article is intended to analyze the role of county chambers of commerce and industry from Romania from the perspective of the small and medium enterprises (SMEs) based in Romania. Consequently, we conducted a survey among the Romanian SMEs in order to identify the strengths and weaknesses they consider in relation with county chambers of commerce and industry from Romania. The article includes also a comparative analysis of the structure, legal status of chambers of commerce system around the world, highlighting the advantages and disadvantages of each law model. The article end with proposals made following the assessment regarding the position of SMEs in relation with the county chambers of commerce and industry from Romania.*

*Keywords: county chambers of commerce and industry, small and medium enterprises, economic development, public law model, private law model*

*JEL Classification: F14 – Empirical Studies of Trade, L25 - Firm Performance: Size, Diversification, and Scope, L31 - Nonprofit Institutions • NGOs • Social Entrepreneurship*

## **Introduction**

According to both the international European institutions and the representatives of the Romanian business environment, SMEs have an important contribution in the economic growth, given the fact that 99% of the companies in Romania and Europe are SMEs. In support of this statement, we extracted from the European statistical data the situation of imports and exports of Romanian SMEs.

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Table 1

**Importing enterprises share in value of imports and share  
in number of enterprise**

	Number of enterprises (share of total)				Value of imports (share of total)			
	Micro	Small	Medium	Large	Micro	Small	Medium	Large
Romania	67	23	7	2	18	15	22	45

Source: [http://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Importing\\_enterprises\\_share\\_in\\_value\\_of\\_imports\\_and\\_share\\_in\\_number\\_of\\_enterprises,\\_2015.png](http://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Importing_enterprises_share_in_value_of_imports_and_share_in_number_of_enterprises,_2015.png)

As the Table 1 shows even if micro –enterprises account for more than half in number of Romanian importing enterprises, their share in trade value is small, while large enterprises share value of imports is almost half of total, though they represent 2% of the total number of enterprises. It can also be observed that whilst SMEs represent 97% of importing companies, they produce just over half (55%) of the value of imports.

Table 2

**Exporting enterprises share in value of exports and share  
in number of enterprises**

	Number of enterprises (share of total)				Value of exports (share of total)			
	Micro	Small	Medium	Large	Micro	Small	Medium	Large
Romania	47	31	17	5	8	20	28	44

[http://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Exporting\\_enterprises\\_share\\_in\\_value\\_of\\_exports\\_and\\_share\\_in\\_number\\_of\\_enterprises,\\_2015.png](http://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Exporting_enterprises_share_in_value_of_exports_and_share_in_number_of_enterprises,_2015.png)

We can observe that if we compare the two major columns namely "number of enterprises (share of total)" and "value of exports (share of total)", the shares in one column increase as the others decrease (**Table 2**). Even though the number of micro-enterprises which export is the highest in comparison with the others three employment size classes, the value of exports they produce is the smallest. Consequently, the data demonstrate that SMEs need support in promoting their commodities and services on external markets. One of the most important

organization which dedicates its efforts to the enhancing of the international commercial transaction of each country is the National Chamber of Commerce and Industry. Therefore we found appropriate to do a qualitative research on how SMEs appreciate the activity of county chambers of commerce and industry in Romania.

### **1. Comparative analysis between the characteristics of chambers of commerce system in different regions according to their national legislative system**

Around the world exist different systems of chambers of commerce, therefore a comparative analysis of the structure, status, relationship with the governments, sources of funding and the services provided in each model will create a more comprehensive image regarding the real role of chambers of commerce and industry, in general.

Chambers of commerce and industry are known to exist in the majority of countries around the globe. These business-led institutions have a common history regarding their efforts to give support to the national business environment. The resilience in time of chambers of commerce and industry authorizes them to play an important role in the international economic relations and justifies their position as valuable partners in formulating and implementing international economic regulations. According to the national legislative system, chambers of commerce have or not the financial support of the governmental institutions. In the case in which the chambers of commerce are organized under the private law system, as in Romania, all the eastern Europe, United Kingdom, etc. their efforts to self-fund is greater and there is a continuously struggle to create an economic cohesion and a coherent common agenda for promoting the national SME both local and abroad.

In Romania are several business support organizations which, failing a common economic strategy, have their own mechanisms of promoting the local companies. In this respect there is a niche to review the role of chambers of commerce and strengthen their position and functions by creating a more proactive model of work. The National Chamber of Commerce from Romania is a structure that has high potential of supporting the local small and medium business through economic diplomacy.

Furthermore these nongovernmental structures contribute to the mitigation of the commercial disputes by using resilient measures of negotiation and mediation. Where the economic diplomatic ways fail, the Court of International Commercial Arbitration which is attached to the Chamber of Commerce and Industry of Romania is empowered to arbitrate commercial disputes, being an alternative way

to the jurisdictional measures. On the other hand the county chambers of commerce and industry being based locally are multi-sector organizations whose members activate in vary areas of interest. They have the proper infrastructure and professional capabilities to create synergy between the local business environment, the national governmental institutions and the foreign market.

Legally, chambers of commerce and industry are structured in two law models, as per **Table 3** and **Table 4**. Both in private and public law models are advantages and disadvantages that help or contrary deter the activity of the chamber system in their mission to support the business environment. Below we made a comparison between the two law models

**Table 3**

**Advantages and disadvantages of public law model**

<b>Characteristics</b>	<b>Advantages</b>	<b>Disadvantages</b>
Compulsory membership	Wide business coverage	Not all companies want to be members
Protection of chambers name	Prevention of potential abuses of chamber brand	Prevents competition
Clearly defined geographical territory	Less duplication	As above
Limited self-governance	Close relationship to government	Potential for government interference
Delegate public functions	Certainty of role over time	Tension between delivery and representation functions
Official advisory status vis-à-vis government	Guaranteed access to authorities and formal participation in law making	Government interference and pressure
Public financing	Guaranteed funding	Tendency to be over-reliant on government
Chamber hierarchy	Organised interaction with different government levels	Risk of bureaucracy
Government supervision	Public accountability	Government interference in chambers affairs

Source:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/36223/12-1214-no-stone-untuned-chambers-of-commerce-international-comparisons.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/36223/12-1214-no-stone-untuned-chambers-of-commerce-international-comparisons.pdf)

In Romania the chambers of commerce are organized under the private law model, whose viability was long debated over years whether the perspective of creating a public law model of chambers in order to have more support, especially financial one would be more beneficial to the Romanian economic market.

Table 4

**Advantages and disadvantages of the private law model**

Characteristics	Advantages	Disadvantages
Voluntary membership	Freedom of business to choose whether it engages	Limited business coverage. Chambers suffer from small membership
Freedom to choose its territory of activity	Fewer barriers to new markets entrants	Potential for unnecessary competition in representing business interest
Self-governance and free election of management	Freedom to select which services to provide	Risk of misalignment and poor coordination with government service delivery
No delegated public functions	Freedom from government interference	No steady revenues generated by delegated functions
Limited advisory status		Less ability to influence government
Financial independence	Performances of services solely in the interests of chamber members	Limited membership fee revenues
No hierarchy	Enables chambers to reflect the grassroots	Inconvenience and inconsistency for business
No government supervision	No government interference	Government activities can be misaligned

Source:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/36223/12-1214-no-stone-untuned-chambers-of-commerce-international-comparisons.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/36223/12-1214-no-stone-untuned-chambers-of-commerce-international-comparisons.pdf)

Given the large number of small and medium enterprises (SMEs) in Romanian economic market, we consider especially the relationship between them and the chamber system. SMEs in both Romania and the world represent the most important component of the economy through which the social balance is

achieved. These firms hold a workforce of around 2.5 million employees, producing over 50% of Romania's added value<sup>2</sup>.

## **2. Methodology**

These aspects highlight the importance of SMEs for Romania and the particular need to consider them at the center of governmental economic decisions. Given the role that the Romanian chamber system has in supporting the SMEs, we conducted a direct research to identify their main problems, the relationship with the county chambers of commerce and industry from Romania and their expectations in relation to it.

Through this qualitative research we aimed to highlight the real collaboration between SMEs and the chamber system, as well as the vision and prospects that SMEs have on this relationship. The questionnaire is based on 484 SMEs and the contact with these companies was taken either directly, either by mail or by telephone, trying to interview about 10-12 companies in each county. Respondents were decision-makers within the enterprises and the survey was conducted between 1 February 2018 and 25 April 2018.

The structure of the sample by development regions was as follows:

- Bucharest - Ilfov area - 25%
- Center area - 12%
- South area - 11%
- South-East area – 10%
- South – West area – 9%
- West area – 10%
- North – West area – 14%
- North – East area – 9%

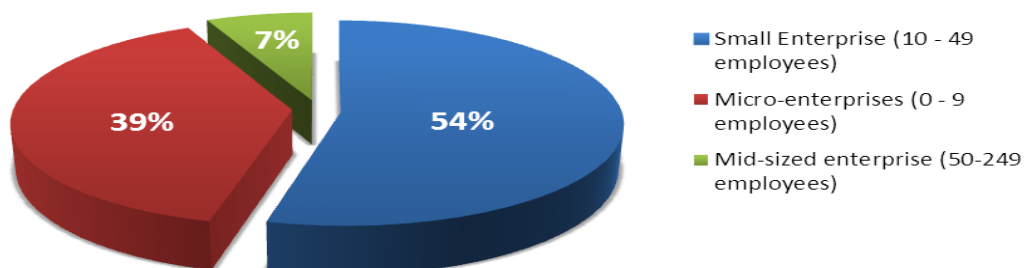
## **3. Assessment of the research following the SMEs survey**

Regarding the turnover and number of employees, the statistical analysis included the sample as shown below:

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<sup>2</sup> Dragos Paslaru si Ileana Modreanu – Contributia IMM la cresterea economica present si perspective

Figure 1 Romanian SMEs sample size



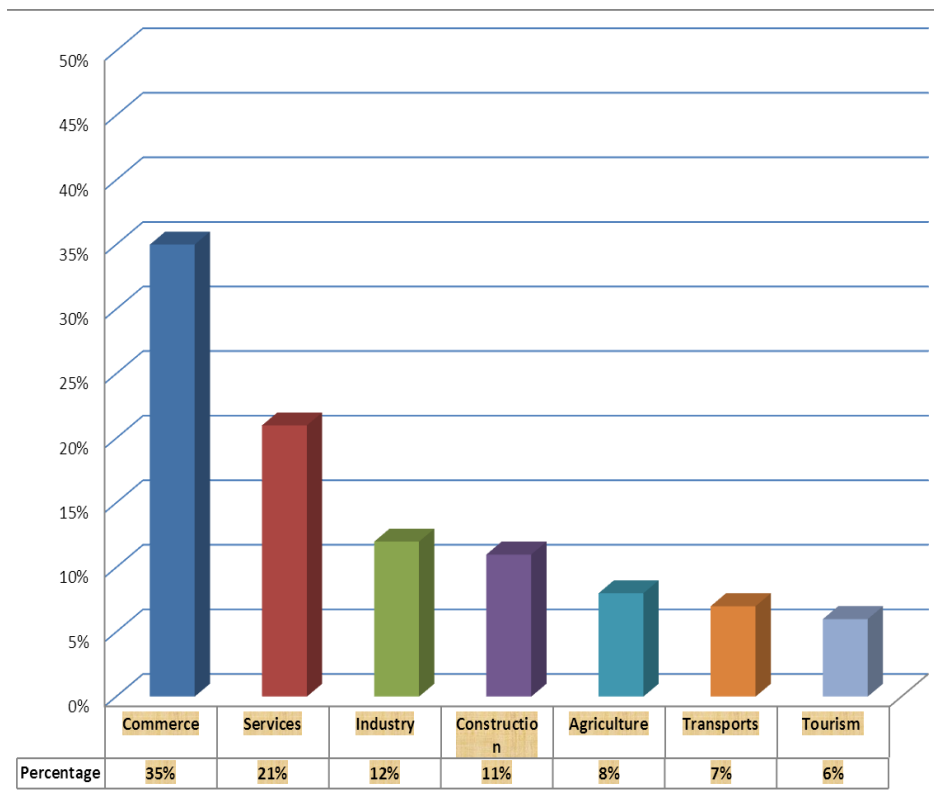
Source: personal approach

Even if Eurostat data shows that micro-enterprises are the most numerous in international trade transactions, the value they create is the smallest, compared to the others employment size classes. Perhaps one of the explanations for the weak internationalization of micro-enterprises is the poor collaboration with economic organizations established to support the entrepreneurial environment, such as the chambers of commerce and industry.

On the other hand, as shown in **Figure 1**, small enterprises (10-49 employees) collaborate the most with the county chambers of commerce and industry in Romania. Comparing Eurostat data with those obtained from the personal qualitative research, we observe that in the case of small enterprises the value of exports is almost 3 times higher than in the case of micro-enterprises, according to **Table 2**. The lack of financial resources for promotion and development is one of the main reasons why micro-enterprises do not create more opportunities for internationalization through the cameral system.

Trade and services account for 56% of all respondents as in **Figure 2**, while industry, construction and transport account for 30% of the total, showing a reliable sample structure.

Figure 2 Romanian SMEs field of activity

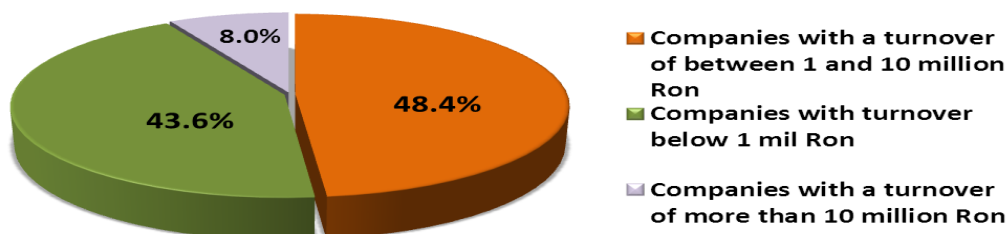


Source: personal approach

The capital structure sample shows that only 8% of SMEs have more than 10 million Ron turnover, while 48.4% between 1-10 mil Ron and over 43.6% have a turnover of less than one million Ron, results highlighted in **Figure 3**. This analysis shows that the Romanian investment power is still low, that our economy needs to evolve through national strategies to increase productivity and the quality of services. The international competitiveness requires immediate measures to develop infrastructure in order to increase bilateral trade.



Figure 3 Romanian SMEs classification by the turnover



Source: personal approach

The analysis above shows that most SMEs need promotion, business advice and useful information in order to overcome the status of micro-enterprises. In addition to the governmental institutions and other factors of the internal structures of SMEs, the Romanian chamber system has also an important role in their development and promotion. Unfortunately, only 14% of the analyzed samples are members of the county chambers of commerce and industry from Romania. The results highlight that among the 86% non-member, only 14.9% SMEs would like to become members, while 85.1% do not want it or are reserved in considering this decision. The reasons why Romanian SMEs do not want to become member of the county chambers are not of financial nature. Only 7% regard this as an impediment, while 34.1% refers to low credibility and 58.9% to the poor activity of the county chambers of commerce and industry in terms of transmitting productive information regarding their work and possibilities to support SMEs through specific means of economic diplomacy and advocacy. In conclusion, in the context of the above data, the evaluation of SMEs regarding the chambers activity is rather pessimistic.

The Romanian chamber of commerce system contributes to the prevention and settlement of commercial disputes through its specialized structures as the county commercial arbitration courts. The results of the survey highlights that only 19% of the SMEs consider the Romanian chamber of commerce system as an organization which can prevent and settle commercial disputes, while 81% do not perceive it as an active and efficient factor in this area.

In fact, only 8% of SMEs chosen the county chambers of commerce for mediation to settle a commercial dispute, while 92% did not use these chambers services. However, 7% of respondents settled at least one litigation at the International Court of Commercial Arbitration attached to the Chamber of Commerce and Industry from Romania.

The percentage of 65% of SMEs that assesses being unsatisfactory the activity of the county chambers of commerce and industry is still high, especially as only 19% of the enterprises consider that county chambers of commerce projects are efficient, of which only 4% have a very good opinion and 15% consider it as being satisfactory.

Although this assessment is less favorable to county chambers of commerce however, 39% of SMEs would like to pursue a professional training program or a specialization program organized by the chambers. In a percentage of 61%, SMEs do not want to participate in courses organized by the county chambers of commerce and industry.

The manner in which the business environment relates to the activity of county chambers of commerce and industry also determines the assessment made by SMEs regarding the role of the Romanian chamber system in supporting the entrepreneurs.

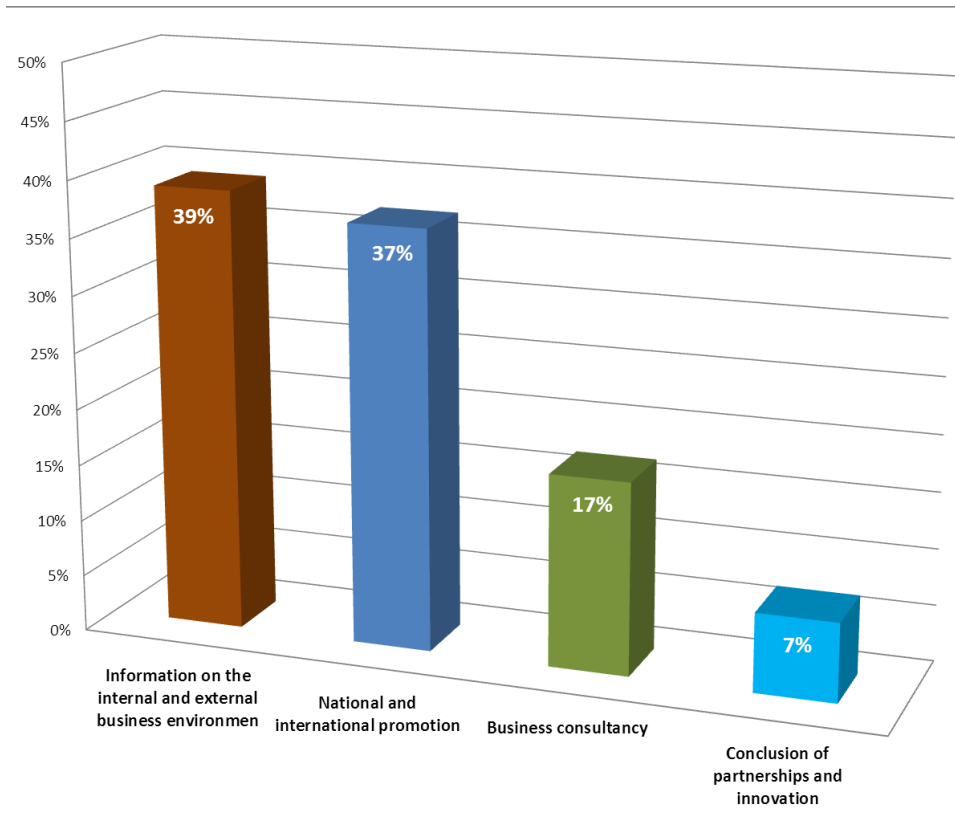
Therefore, optimism is not high as 63% of SMEs believe that these non-governmental organizations have a less important role in the development of the Romanian economy and only 37% believe that the chamber system stimulates bilateral trade transactions.

Regarding the main reason why SMEs became members of the county chambers of commerce and industry, 39% of them replied that they searched useful information about the national and international business environment, as **Figure 4** highlights. The most important information requested by the Romanian business environment is about changes to domestic and especially foreign legislation, information on commercial practices and payment methods.

A significant percentage of 37% of the SMEs that are members of the county chambers of commerce and industry need internal promotion (26%), while 11% of the interviewed companies consider the support in international economic and commercial relation as a necessary condition to improve their business and enter new foreign markets. A percentage of 17% of companies consider business consultancy and the mediation with the public authorities as important prerogatives in strengthening the relations between SMEs and the Romanian chamber system.

The small and medium-sized enterprises, member of the county chambers of commerce and industry in proportion of 7% have requested facilitation of local partnerships and solutions for business innovation programs, given the fact that Romania is the last place in innovation in European Union.

**Figure 4 Reasons why SMEs have become member of county chambers of commerce and industry from Romania**



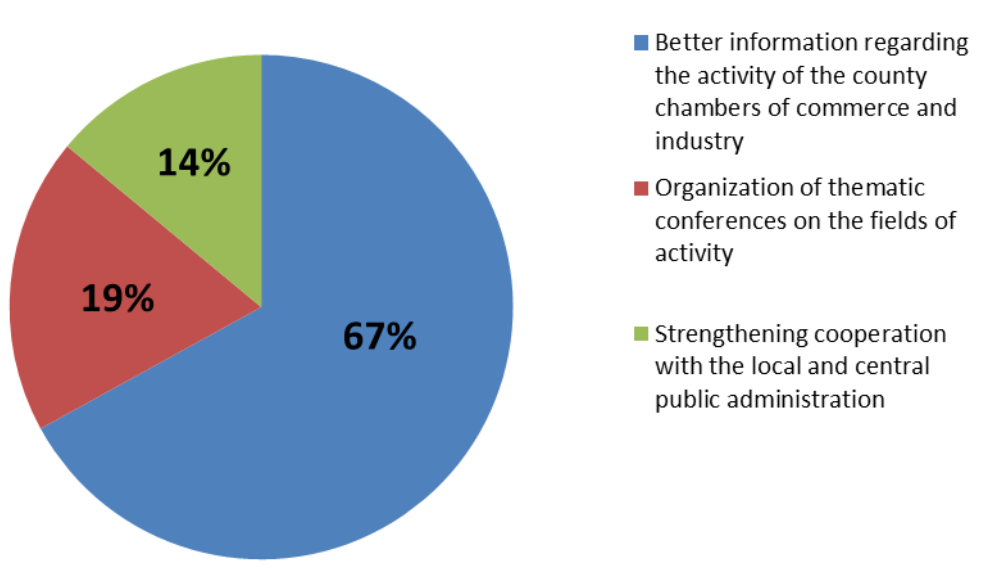
Source: personal approach

Small and medium-sized enterprises have numerous commercial disputes and complex issues to cope with, therefore they consider the county chambers of commerce and industry as having the diplomatic and logistical tools needed to be more active in economic relations and to generate partnerships to facilitate commercial transactions.

In this regard is needed an effective communication strategy with the business environment regarding the chambers services package and also about the possibilities to facilitate business dialogue with local and central authorities.

Thus, two-thirds of the interviewed SME, respectively 67% of respondents, as **Figure 5** shows, believe that better information regarding county chambers activity is helpful for the business environment. The Romanian small and medium-sized enterprises also consider organizing thematic conferences on different areas of interest (19%) and facilitating dialogue with local and central public administration institutions (14%).

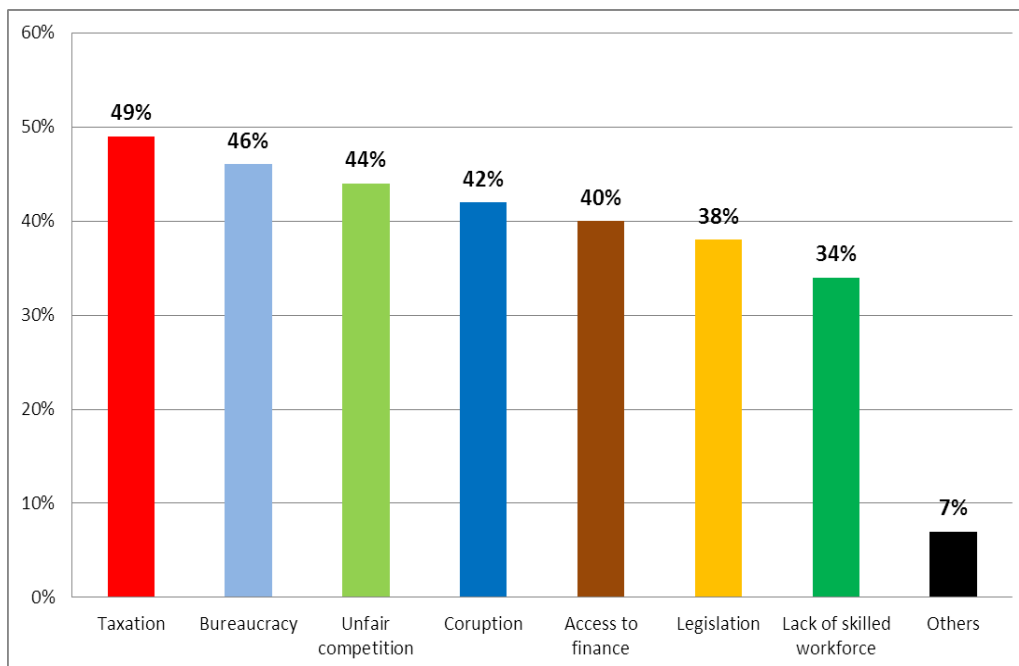
**Figure 5 Improvements required by SMEs in the activity of county chambers of commerce and industry**



Source: personal approach

The analysis of the problems that SMEs have in their activity highlights a multitude of disputes in the national and international trade transactions, many of which are caused by shady national legislation, excessive taxation, bureaucracy, corruption, difficult access to finance but also the lack of qualified workers.

Figure 6 The main difficulties in Romanian SMEs activity



Source: personal approach

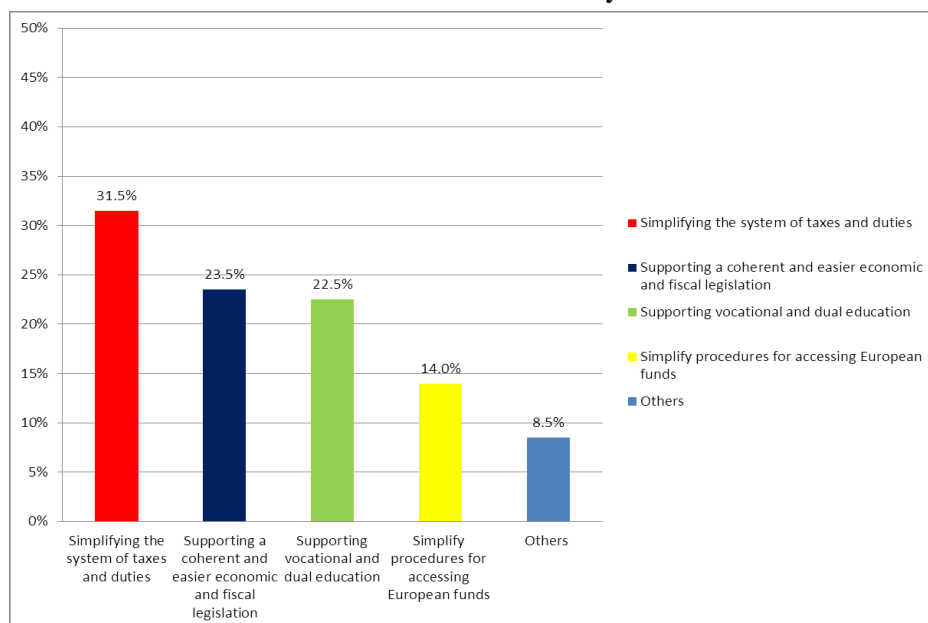
Taxation continues to remain a real problem for SMEs in Romania given that about 50% of companies have nominated taxation as the biggest difficulty in their business, as in **Figure 6**. Generalized bureaucracy is perceived as a second big problem that hampers the activity of SMEs and the slow progress of the administration in providing digital solutions for public services amplifies entrepreneurs' dissatisfaction. Unfair competition and corruption are also factors that diminish the development of the activity of economic agents operating in accordance with free market regulations. Given that over 85% of respondents recalled at least one of the above issues, it is necessary that business representatives as the chambers of commerce and the government institutions cooperate and negotiate economic and commercial strategies in order to provide resolutions and regulations that will encourage the Romanian entrepreneurs to export and to raise their position on the national market. Notable are the changes made to the Tax Code and the Fiscal Procedure Code.

The decrease of the specialized labor force is a reality that both SMEs and government institutions can not deny. Economic growth is affected by negative demographic trends coupled with limited labor mobility and high emigration. In the same time, the low performance of the education system leads to graduates

without specialized training that is necessary for the needs of the labor market. Another problem is the vocational education that is not correlated with the needs of business environment. The lack of craft schools, vocational and technical education has created a deficiency of professionals with direct consequences on the quality of services, on labor productivity which diminished the profitability of the companies.

As shown in **Figure 7**, the expectations of SMEs from the county chambers of commerce and industry have their origins in the problems they experience in the commercial transactions. The enterprises call for simplification of tax system (31.5%) and a stable legislation regarding the economic, fiscal and trade procedure and regulations (23.5%). More and more entrepreneurs advocate for the reform of vocational and technical education and in this regard, the Romanian chamber system negotiates with the government representatives the project on the establishment of dual education. Although it is a widely debated issue the accessing of European funds, only 14% of the respondents have chosen the simplification of the procedure for attracting the European money. This is a sad aspect, the more Romania is on last places regarding the investments with European money.

**Figure 7 Projects proposed by SMEs to be supported by the county chambers of commerce and industry from Romania**



Source: personal approach

#### 4. Conclusions

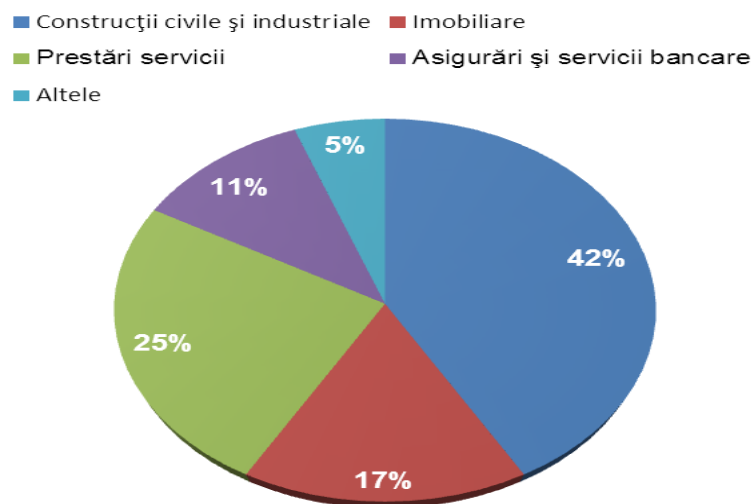
Small and medium enterprises in Romania operate in an environment that they consider to be less favorable, with high taxation, bureaucracy and unfair competition. Government institutions seem only to simulate the interest for supporting this important sector which produces both stability in the Romanian economy and also social peace. Incoherent legislative reforms are unpredictable and do not provide economic stability. The competition between SMEs makes them look for alternatives among non-governmental organizations to support them to develop nationally but also in the stages of internationalization and in the settlement of trade conflicts. In this context, it is important that, in accordance with the role and capabilities of the Romanian chamber system, we appreciate its current relationship with the private sector to which it addresses. Furthermore it is necessary to identify the perspectives of collaboration. In this regard in this research, we conclude the following aspects and on this basis we make the proposals found at the end of the paper.

1. The analysis shows a still fragile relationship between SMEs and the Romanian chamber system, with both side causes. The percentage of 14% representing the number of members of the county chambers of commerce is not encouraging but sets a framework for future work. What is worrying is that 85% of non-member SMEs do not want to join the county's chambers of commerce and industry, arguing the poor activity and credibility reasons. The pessimistic assessment of SMEs is also recorded as regards the medium and long-term role of the county chambers of commerce in the development of the Romanian business environment to the extent that 63% consider this role to be of little importance.
2. An important attribute of the chamber system is that of preventing and settling commercial disputes by using specific means such as negotiation, economic diplomacy, mediation and conciliation.

Although the activity of county courts of commercial arbitration is deficient, at national level, the activity of the International Commercial Arbitration Court attached to the Chamber of Commerce and Industry of Romania is much more intense. In the last 10 years, the International Commercial Arbitration Court has settled over 3,000 commercial litigations, of which 700 are international, according to data collected from an unstructured interview conducted in April 2018.

As shown in **Figure 8**, the Court of International Commercial Arbitration solves commercial litigation in all economic sectors. The main areas of activity of clients that choose the settlement of commercial disputes through arbitration in Romania are civil and industrial construction (42%), services (25%) and real estate (17%).

**Figure 8** The main areas of activity of clients in the files



Source: personal approach from data obtained from the Court of International Commercial Arbitration attached to the Chamber of Commerce and Industry of Romania

3. SMEs expect from the county chambers of commerce and industry a more dynamic activity, a deeper involvement in the development of the Romanian business environment and a pro-active attitude regarding the relationship with the local and central public authorities.

The requirements of the Romanian entrepreneurs to the county chambers of commerce and industry regard the conclusion of a strategic partnership through which are shared updated information about the foreign market and the domestic business environment, in order to prevent commercial disputes and to streamline trade transactions. Also, the representatives of SMEs need support for identifying means of reducing the unfair competition and simultaneously highlight the need of an active involvement of the Romanian chamber system in developing coherent legislation that will reduce excessive taxation, facilitate access to fair financing and promote dual education.



## 5. Proposals

Improving collaboration between SMEs and the county chambers of commerce and industry is a responsibility of both sides, given that their interests converge and can be easily harmonized. Regarding SMEs, they need to show greater adaptability and flexibility and invest trust in the relationship with the county chambers of commerce and industry. Given the existent competition, SMEs need to identify those compatible structures to support them in their development on the economic market.

County chambers of commerce and industry, on the other hand, need to improve their image and credibility in order that their services provide added value to the turnover of companies.

For this, county chambers of commerce should act in the following directions:

1. Organizing training courses and programs of continuous professional development. In this context, it is necessary that each county chamber of commerce and industry to have counselors able to answer all the concerns of the national and foreign business environment.
2. While the Chamber of Commerce and Industry of Romania is considered a true minister for business support, it is necessary that the county chambers of commerce increase their credibility in relations with local and central public authorities. They need to be more involved in the development of zonal strategies and in mitigating the trade disputes in the counties for which they were set up.
3. Involvement in the development of a viable strategy for the implementation of dual education in order to ensure as quickly as possible the need for skilled labor. In this context, there is a need for an efficient collaboration between government authorities, educational institutions and businesses, which is possible through the partnership platform with the county chambers of commerce and industry and the National Chamber.
4. Services provided to SMEs have to be professional and updated. The business environment needs useful and accurate information about the market, legislation, taxation in order to take economic and financial decisions. County chambers of commerce and industry should consider the use of instruments specific to economic diplomacy to conclude external partnerships with counterparts from abroad on areas of interest and also the consolidation of old ones.

An important aspect remains the role of chambers of commerce to facilitate the participation of SMEs in domestic and international fairs and exhibitions. In order to consolidate and develop the relations of county chambers of commerce and industry with SMEs, they have to be receptive to the problems of companies in order to identify solutions and make proposals. In this context, it is necessary to

involve the National Chamber to harmonize the connection between the county chambers of commerce and industry and enterprises and to improve the normative framework that should become more friendly. It is necessary that the Chamber of Commerce and Industry of Romania support a unitary and predictable package that will lead to:

- Reducing taxes and duties;
- De-bureaucracy and administrative flexibility;
- Legislative coherence on public-private partnerships;
- Facilities for funding;
- Ease of European funds procedures.

6. The attribute of the chamber of commerce system as organism of conflict prevention and settlement of disputes must become one of the main objective of the county chambers of commerce and industry. It is the way to give credibility and attract companies' interest.

The conclusion of this research is that SMEs, which are characterized by heterogeneity, have different problems and do not have sufficient information regarding the activity of the county chambers of commerce and industry. Those which are familiar to the mission of chamber of commerce system are not convinced of the necessity of the partnership with it. On the other hand, the county chambers of commerce and industry have not succeeded in creating efficient departments whose results are recognized at least at the regional level.

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- 2nd OECD conference on ministers responsible for small and medium-sized enterprises. Promoting entrepreneurship and innovative SMEs in a global economy: towards a more responsible and inclusive globalization. Available at: <http://www.oecd.org/cfe/smes/31919278.pdf>