

# **A STUDY REGARDING THE ENVIRONMENTAL PROTECTION IN THE SMALL AND MEDIUM ENTERPRISES WITHIN THE CLUJ COUNTY**

**Roxana CORDOȘ  
Bogdan BLAGA**

## **Roxana CORDOȘ**

Lecturer, Department of Management and Systems  
Engineering, Faculty of Machines Building, Technical  
University of Cluj-Napoca, Romania  
Tel.: 0040-264-415484  
E-mail: roxana.cordos@mis.utcluj.ro

## **Bogdan BLAGA**

Ph.D. Candidate, Department of Management and Systems  
Engineering, Faculty of Machines Building, Technical  
University of Cluj-Napoca, Romania  
Tel.: 0040-264-415484  
E-mail: bogdanblaga@yahoo.com

## **Abstract**

The paper presents the importance of the environmental protection within the small and medium enterprises (SMEs), from the perspective of the Lisbon Strategy. This is followed by a few results of an exploratory research that took place in the Cluj county, between February-June 2009, on a sample of 50 SMEs, having among the objectives the identification of the present status of the environmental activity in the SMEs from Cluj, the identification of the activities and the number of employees within these departments.

## 1. The Lisbon Strategy

The Lisbon Strategy, also known as the Lisbon Agenda or Lisbon Process, is an action and development plan for the European Union. Its aim is to make the EU “the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment by 2010”. It was set out by the European Council in Lisbon in March 2000.

Between April and November 2004, Wim Kok headed up a review of the program and presented a report on the Lisbon strategy suggesting how to give new impetus to the process. One of the main conclusions of the Kok’s report was that “the promotion of growth and employment in Europe is the next great European project”.

The European Commission used this report as a basis for its proposal in February 2005 to refocus the Lisbon Agenda on actions that promote growth and jobs in a manner that is fully consistent with the objective of sustainable development. The Commission’s communication stated that “making growth and jobs the immediate target goes hand in hand with promoting social or environmental objectives”.

In its resolution on the mid-term review of the Lisbon strategy in March 2005, the European Parliament expressed its belief that “sustainable growth and employment are Europe’s most pressing goals and underpin social and environmental progress” and “that well-designed social and environmental policies are themselves key elements in strengthening Europe’s economic performance”.

The Lisbon Strategy intends to deal with the low productivity and stagnation of economic growth in the EU, through the formulation of various policy initiatives to be taken by all EU member states. The broader objectives set out by the Lisbon Strategy are to be attained by 2010. Under the strategy, a stronger economy will create employment in the EU, alongside inclusive social and environmental policies, which will themselves drive economic growth even further.

During the meeting of the European Council in Lisbon (March 2000), the Heads of State or Government launched a “Lisbon Strategy” aimed at making the European Union (EU) the most competitive economy in the world and achieving full employment by 2010. This strategy, developed at subsequent meetings of the European Council, rests on three pillars:

- An economic pillar preparing the ground for the transition to a competitive, dynamic, knowledge-based economy. Emphasis is placed on the need to adapt constantly to changes in the information society and to boost research and development;
- A social pillar designed to modernize the European social model by investing in human resources and combating social exclusion. The Member States are expected to invest in education and training, and to conduct an active policy for employment, making it easier to move to a knowledge-based economy; and
- An environmental pillar, which was added at the Gothenburg European Council meeting in June 2001, draws attention to the fact that economic growth must be decoupled from the use of natural resources.

With respect to the last pillar, the European Union's environmental policy, based on Article 174 of the Treaty establishing the European Community, aims to preserve, protect and improve the quality of the environment and to protect human health. It also focuses on the careful and rational use of natural resources and contributes to promoting, at international level, measures intended to combat regional or global environmental problems. It is based on the precautionary, preventive action, correction at source and "polluter pays" principles.

The Sixth Environment Action Program, adopted in 2002, defines the priorities and objectives of the European environmental policy until 2010, concentrating on four priority areas: climate change; nature and biodiversity; environment, health and quality of life; and natural resources and wastes. It is complemented by seven thematic strategies in the following areas: atmospheric pollution, waste, the marine environment, soils, pesticides, natural resources and the urban environment.

Over the past thirty years, European environmental action has evolved from the resolution of certain specific problems to a more horizontal, preventive and integrated approach. The idea of "sustainable development" was enshrined as one of the objectives of the Union in the Amsterdam Treaty, and the mainstreaming of environmental protection has been reinforced in other Community policies, in particular those pertaining to the internal market, transport and energy. It has been made easier for a Member State to apply stricter standards than the harmonized standards, as long as they are compatible with the Treaty and communicated to the Commission.

Most of the Community acts in this area have been adopted in accordance with the co-decision procedure, with the exception of certain fields such as fiscal provisions, land use planning or areas that significantly affect Member States' choices with regard to energy.

Why is the Lisbon Strategy important for Romania? It represents economic convergence, the improvement of performances already registered in insuring the macro-economic stability – the significant diminution of inflation, the diminution of the interest rates and the stability of the currency (Cordoş, 2006, p. 67). The implementation of the structural reforms that are needed will improve the commercial balance and the current account. The accession to the European Union has been a key target that has been reached. It involved difficult choices, real challenges. The Lisbon Strategy establishes critical areas for the reform.

For Romania, the Lisbon Strategy might become a real state policy because its objectives might as well be our national objectives. In order to accomplish the purpose proposed by the European Union, the entrepreneurial field needs to be strongly supported, all the facilities being created for a good development of the business environment.

The Lisbon Strategy is fundamental for the future competitiveness of the European Union and for its capacity to generate welfare, to create new jobs and to improve the social and environmental European models. The progress that has been achieved up to now has been quite slow, the deadlines for the governments' decisions have not been met, nor are the citizens or the business community feeling any real effect.

Considering the fact that many Member States are still reluctant towards the application of some structural reforms, the accomplishment of the Lisbon's objectives at the proposed deadline seems more and more difficult.

Even so, the European business environment remains engaged on the line of the Lisbon Strategy. There is no other alternative, and its success is essential for the European prosperity and the use of the work force. The European political leaders need to act now for the acceleration of reforms, placing the economic revival in front of any other priority.

The problems that Europe is confronting are significant. There is a tougher economic competition every day. Besides the challenges launched by the USA and Japan, the developing countries – especially China and India – are progressing fast. Meanwhile, in Europe, processes such as: the aging of the population, inflexible regulations and high costs come together with low levels of economic growth, productivity or job creation.

## **2. The role and the importance of SMEs**

Right now, more and more specialists (Ceașu, 1999, p. 53; Nicolescu, 1999, pp. 12-13) underline the need to develop small and medium enterprises because they adjust faster to the market's requirements, and the participation of the associates to the management of the production process and the entire enterprise is more direct (Abrudan, 2003, p. 38).

From Neace's point of view, sustainable success in economic development, especially in the developing economies, highly depends on the development of SMEs networks. This development requires a dynamic interaction between culture, social capital (seen as the trust between economic entities, it represents "the humans' ability to work together within groups, organizations and communities, in order to accomplish common objectives, as well as the harmonious reciprocal trust") and human capital, coming to life in the entrepreneur's person (Neace, 1999, pp. 148-161). The entrepreneurial efforts that take place in a context of lack of certain cultural values or a civil society that will generate social and trustful capital will usually fail.

The importance of the small and medium enterprises' sector is also proved by the global experience in the field, which has underlined a series of advantages compared to big enterprises, such as:

- higher structural and geographical mobility;
- simplifying the administration and decisional processes;
- a higher capacity to change the fabrication of products in a matter that is appropriate to different beneficiaries;
- they serve better the interests of a small local community, valuing resources that are considered too small by the big firms;
- reducing the supplying costs;
- encouraging the technical progress and innovations, being the first beneficiaries of modern ways of management and marketing;
- they create jobs;

- they generate a relatively significant part of the products and services needed by the population; and
- their performances may condition the state and the level of the economy's development.

The SMEs' functionality is multiple due to their purpose and specific ways in which they insert themselves within the economic and social areas (Cordoş, 2008, pp. 85-86).

The economic functionality sets in:

- a) generating a significant part of GDP;
- b) generating a great part of the technical innovations that are being applied in the economy;
- c) they are a main source for the incomes of the state's budget;
- d) insuring the functioning of the principles of market economy in the dimensions imposed by the diminished economic activities; and
- e) achieving products and services at lower costs, in comparison with the big firms.

The social functions of these types of enterprises consist of:

- a) generating jobs, promoting the image of some dynamic, flexible, adjustable organizations;
- b) insuring, for a significant percentage of the work force, professional and social accomplishment; and
- c) implementing models of economic and social viability for vulnerable areas.

Thus:

- due to the improvement of legislation, the rate of creating enterprises has increased from year to year, the number of SMEs being double in 2006 compared to 2000;
- according to the Annual Report on SMEs (2008), compared to the previous years, in 2006 there is a growth in the rate of new enterprises started by persons with higher education of up to 49,6%, but there are still very few with experience in management positions (1,3%);
- the main barriers that the entrepreneurs meet are the lack of resources, especially financial (69,8%), the limited access to credits, due to high interest rates (39,5%), the lack of customers (38,2%); competition (75%); and
- the Romanian government and the institutions that are the representatives of the business environment have launched a series of programs for the existing SMEs as well as for start ups.

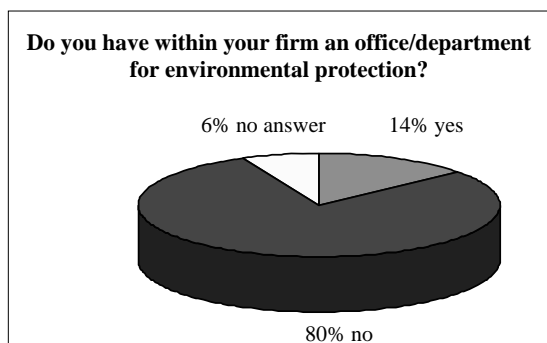
### **3. Exploratory research regarding environmental protection in the small and medium enterprises within the Cluj County**

Due to organizational restrictions, regarding time, financial as well as statistical ones, the sample was of 50 subjects SMEs. An aleatory method was intended to be used at the beginning, but the lack of an up-to-date database of SMEs in the Cluj district, in order to be able to extrapolate the results with a certain probability and limited error has made this impossible.

The hypothesis H10 is – “At the most 25% of the studied SMEs have within their structure an office/department for environmental protection”. This hypothesis is being confirmed by the results that have been obtained, according to which 40 firms do not have an office/department for environmental protection, representing 80% of the total of 50 investigated firms, and 7 firms, meaning 14%, declare that they have such a department, the other 3 entrepreneurs not answering this question.

**Table 1:** Do you have within your firm an office/department for environmental protection?

Yes	No	No answer
7	40	3



**Figure 1:** The existence of an office/department for environmental protection

**Table 2:** Activities that take place within the office/department for environmental protection

Activity	No. of firms that have this activity
Implementing legislation	3
Preoccupations regarding the fulfillment of the environmental norms (audit, ISO certification)	5
Diminishing the quantity of waste products	2
Monitoring (gases, waste products)	3
Developing ecologic technologies (recycling, reducing gas emissions)	4
Ecologic production	2
Collaborating with partners in the field (other firms, ministry of environment)	2
Up-to-date to global trends environmental policies	2
Selecting chemical raw materials according to norms	1
Increasing population awareness	1

To the question regarding the number of personnel involved in this field, the results are as follows:

**Table 3:** The number of employees involved in the department for environmental protection

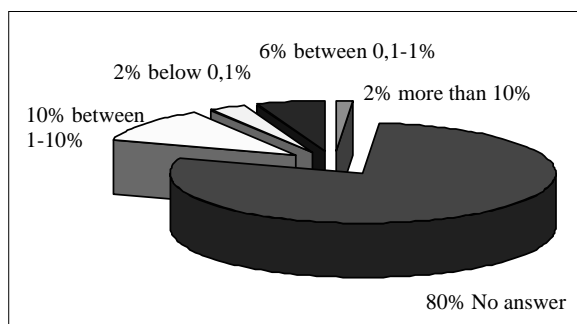
	0	1-5	6-10	More than 10
Environmental protection	0	9	0	0

Beyond the fact that a great number of the investigated firms do not have at all such departments or simply choose not to answer to this question, the majority of them have between 1 and 5 persons with specific environmental attributions.

Thus the results confirm the hypothesis based on question number 12 in the questionnaire: “How many persons have strict attributions for this field?” (“In most of the departments for environmental protection there is a maximum of 5 persons / department”.)

Further on, the entrepreneurs have been asked to mention if these persons with responsibilities in the field of environmental protection have participated at professional training in that field. The hypothesis was: “The majority of the persons from these departments have participated at training courses and professional training in the field of environmental protection”, a hypothesis which is not confirmed by the small number of persons who have participated at such courses or professional training. Unfortunately only 6 persons have participated, even if this is one of the most important fields in the 21<sup>st</sup> century, in order to be able to face the competition.

At the end of the questionnaire, the investigated entrepreneurs have been asked to mention the expenses with environmental protection, as a percentage of the business figure. Here are the results that have been obtained:



**Figure 2:** Expenses with environmental protection (as percentage of business figure)

**Table 4:** Expenses with environmental protection (as percentage of business figure)

Expenses with environmental protection	Number of firms
More than 10%	1
Between 1-10%	5
Between 0.1-1%	3
Below 0.1%	1
Do not answer	40

#### 4. Conclusions

The concept of sustainable development needs to be mentioned again, even though it was previously mentioned in this paper. Starting in 1987 after the Report of the World Commission on Environment and Development, entitled “Our Common Future”, also known as the Brundtland Report, was published, sustainable development became the central issue of the debates related to the environment and development. The Report defined sustainable development as development that “meets the needs of the present without compromising the ability of future generations to meet their own needs”.

The three components of sustainable development are illustrated in Figure 3 (Candea, 2007, pp. 1-6).



**Figure 3:** The components of sustainable development

Their representation in an equilateral triangle points to the balanced importance of the three elements. Sustainable development is inextricably related to the quality of life that depends on the harmony among three constituents:

- economic prosperity founded in the flow of income that results from the activities that produce goods and services directed toward satisfying people’ needs;
- stability of socio-economic systems from where the human capital comes, which is essential to the economic, social and cultural activities; and
- physical and biological stability of natural systems, which provide support to life, supply natural resources and goods, and assimilate waste.

The sustainable development notion is a global, macroeconomic concept, particularly in its social and environmental aspects.

The macroeconomic notion of “sustainable development” has the concept of “sustainable corporation” as the correspondent in the business world. The sustainable corporation is one that can prosper over the long-term, has a clear and compelling business purpose, and creates positive environmental and community outcomes.

The concern for the social and environmental issues (both internal to the company and pertaining to the community whose “citizen” the company is), and the consideration given to the stakeholders’ interests require resources and an active care that may appear to be diverted from their productive destinations. In a wider perspective, however, the sustainability of a business requires investments made today for future benefits. Therefore managers need to revise the criteria for performance evaluation by expanding their scorecard in a forward-looking manner and beyond the traditional financial indicators.

We can ask ourselves if there is not given an exaggerate importance to the concept of sustainable enterprise, but the answer can be found as follows (Nicolescu, 2007, p. 7):

- The enterprise is and will remain the type of organization where the biggest part of the goods and services needed by the society are being produced, where the biggest part of people are working;
- The sustainable company is a new type of enterprise, characterized by functionality and high creativity, through a relatively equal accent set on the economic, social and ecological aspects, through its capacity to continuously improve, achieving new products and services, generating information and competitive knowledge which insure a long term development, benefic for entrepreneurs and for employees as well. The sustainable company has these qualities, even if it is mainly a small size enterprise, a SME.
- The entrepreneurial spirit represents the basis of establishing and developing a sustainable company. Thus, the encouragement and promotion of the entrepreneurial spirit represents the main engine of a sustainable company.
- The sustainable company – by all of the above – is really necessary for entrepreneurs, employees, cities, regions, countries and the entire nations. By insuring decent jobs, products, services and good ratios of price/quality, consistent incomes to all those involved as well as to the local, regional and national communities, the sustainable company represents the irreplaceable support for the progress of the economic and social life.
- A sustainable company cannot exist without a sustainable environment, a favoring framework for its functioning from many points of view: fiscal, commercial, financial, managerial, technological, administrative, educational, judicial, ecological, cultural and political. A sustainable environment can only be represented by the new economy, the knowledge-based economy.
- Romania has to focus not on creating any type of enterprises, but on sustainable companies, the only ones that are capable to entirely eliminate the economic, social, technical, social, scientific, cultural problems from the developed countries.

Thus, it can be noticed from this paper, both from the first theoretical chapter as well as from the applicative research that the small and medium enterprises still have to work on the “chapter” of environmental protection.

The fact that a significant majority of the investigated firms have not answered to the question regarding the financial resources allocated to the activity of environmental protection is frustrating, which makes us believe that they are actually not allocating any resources to this activity. Why? Don't the Romanian firms need environmental protection, ecologic products, etc.? Of course they do, but they need to be aware of it, if the market does not give them enough signals in this direction. Does environmental protection need to be promoted at a macro-economic level, including through laws to stimulate it, or fiscal facilities for this field? Definitely, yes.

The organization of the activity of environmental protection is still a myth in the majority of the investigated Romanian SMEs. The average number of employees involved in this activity is still reduced. The financial resources are not enough. The most frequent activities of environmental protection are the one regarding the fulfillment of regulations.

In order to support the decisions that are taken by the entrepreneur, there is a need for trained personnel within the firm, for all of the firm's functions. Our concern has been to identify if the personnel involved in environmental protection (if there is such) have participated to such training courses. Unfortunately only a small number of persons have participated to such courses.

Thus, environmental protection is an essential component for a sustainable company and, as the Lisbon Strategy has mentioned, the SMEs represent the spine of the European economy, and, implicitly, of the Romanian economy, so there is a need for some progress with respect to this field.

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