

BUSINESS ENVIRONMENT IN ROMANIA UNDER THE IMPACT OF GLOBALIZATION

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Abstract:

Currently many researchers examine the future of countries in transition in conditions of globalization and unprecedented growth of transnational companies. Questions they seek to have an answer relates to how they evolve in these countries, the direction towards which it is heading.

A major issue is how the small and medium enterprises can make to the process of globalization. In this context, globalization is characterized by intensifying competition between enterprises both international and national, the emergence of new production areas, which offer new opportunities which organizations are able to benefit from them and increase the number of enterprises that choose to implement an internationalization strategy.

Key words: *globalization, business environment, international trade, foreign direct investments, performance.*

JEL classification: F23 - Multinational Firms; International Business.

1. Introduction

One of the defining trends of the business environment ay the world scale the second half of the twentieth century is the trend of transition from internationalization to the globalization of economic life. This trend falls in an old historical process, which took place gradually, but with discontinuities, in trade relations (the expansion of world trade), investment abroad (internationalization of production), the organizational business structures (firm internationalization).

Under the pressure of a complex of economic technological and political forces, the internationalization process enters in a new stage, the one of the emergence of a global economy based on a system of transnational interdependencies in trade, manufacturing and financial area.

Globalization process is stimulated also by the interdependent development of international trade and investment abroad. Unlike other historical period, currently more and more companies, and first of all transnational companies adopt business strategies which aims directly the global world, world market as a whole, in these strategies, is practiced various forms of international transactions or combinations of them.

In the new existing context, a company's success is the result of deep understanding of the environment in which it operates and of the successful implementation of those strategies and organizational structures that correspond to this situation.

Setting a concrete organizational structure of an international company can be achieved only if taking into account the existing situation. For this purpose is necessary to analyze the factors influencing this process, that is the dynamic environment, the diversification of business organization and the volume of its business in other countries, the number of branches held abroad and the rate for their participation in corporate activity. Also must be taken into account for analysis, the globalization level of the different areas of business. In Romania the long process of privatization has made that the economic situation to be of fluctuating type, particularly because of the changes which have led the Romanian companies to find themselves in a competition in which are participating organizations with tradition, which has significant experience in the

competitive struggle. The slow rhythm of privatization has allowed the making of restructuring and modernization of major companies, and especially deep change of organizations management. Unlike developed countries where increasing the size of an enterprise corresponds to the increase in market demand and is followed, depending on the economic situation, by processes of restructuring the big enterprises in Romania, in many cases were designed to meet CMEA market demand. Along with the radical alterations of its conditions were not able to modernize adequately. No restructuring was effective due to the delay of the privatization process. Also, the division of large enterprises in Romania has as consequence the fragmentation of technology flows and reducing competitiveness of the final product.

Along with the entry of new foreign organizations in the Romanian market or with the internationalization of some companies activities in Romania, the latter seeking to remodel their attitude towards quality and the promptitude of the offered services versus pricing and distribution policy of their own products and services.

Change put its fingerprint on Romanian enterprises management. To achieving this goal it is necessary to implement the competitive organizational structures to use modern methods and techniques of leadership, and particularly the development of judicious strategies for the Romanian companies.

2. Intensifying internationalization of the business environment

Internationalization is an objective process. Historical reality shows that, on the measure of its development, the company tends to exceed the local, national and regional business environment limits, to extend its activities into the global economic space, whose formation is possible by just moving towards outside of the company. The basis behind this process is immanent expansionism of the market forces, their tendency to invade the environment, and to include it in an economic system based on market mechanism.

Internationalization of the company is realized, in principle, gradually, by going through several stages, which define all types of firms with international activity and expresses motivations of the participation in the global market.

Expanding economic relations worldwide and creating an international business environment have been attributed to two main processes: first, through the development of world trade, progressive process in the open period by great geographical discoveries which in the modern world, reached peak in the years of glory of free trade (the second half of the nineteenth century); then by the rapid growth of foreign investment concomitant with the beginning of XX century, and their establishment - in interdependence with trade relationships - as a form of internationalization of production.

International Trade

In the last decades of the twentieth century, international trade has witnessed a strong expansion, almost uninterrupted, exceeding both increasing of industrial production and GDP in the world.

Increasing international independences through trade flows results from a major change that took place in world trade: the transition from the structure of reports of type basic products against manufactured products, to structures of type of products manufactured against manufactured products and then to the exchange of products through branches of the industry or in some product groups. Development of intra-industry trade reflects the progressive deepening of international division of labor in the decades after the last world conflagrations.

Statistical data on the geographical distribution of world trade shows that the internationalization process was not conducted in a homogeneous way throughout the

world economy, manifesting a strong concentration of interdependences between developed countries, namely in the "triad" US-Western Europe-Japan.

A number of factors have been awake to explain the development of international trade relations in the contemporary period:

Impetuous technological progress, which deeply marked human society in the second half of the twentieth century, had a direct impact on international trade. Even if since the '60 it was talking about the transition from industrial society to post-industrial society, only in the last two decades the nature and contours of the latter begin to be seen. In the economic field, they are summarized in the phrase "information economy", which, according to some studies, is based on six industries and new technologies: information technology industries (semiconductors, computers, consumer electronics, telecommunications, industrial automation, electronics and automotive, medical electronics); biotechnical having in center genetic technology, new materials industry, energy system based on forms of renewable and clean energy, environmental technology, space technology.

Technological progress determinates directly the deepening of international division of labor, deepening even more specialization of intra-industry and intra-product type, on the other hand, this impact is limited to countries and areas in which is exploit technological advances. In other words, international trade expands and deepens where, and to the extent that there are conditions for the emergence of technical progress. Another factor that influenced the accelerating of international trade increasing in the second half of the twentieth century is what might be called the *triumph of liberalism*. Performance obtained from Western countries by promoting the market economy and, in contrast, the collapse of command economy at the end of the'80, was an important argument for liberalism, as politics and economic doctrine.

The rapid development of international trade was encouraged by targeting free trader of trade policies in major countries involved in the global market. However, following the example of "successful exporters" of South-East Asia (Japan, South Korea, Taiwan, etc.), an increasing number of developing countries has adopted strategies of economic growth based on export stimulation.

A major role in eliminating tariff and non-tariff barriers in international trade had of the General Agreement on Tariffs and Trade, transformed in 1994 into the World Trade Organization (WTO). Instead, the United Nations Conference on Trade and Development (UNCTAD), organization that has proposed to contribute to the establishment of more equitable relations between North and South and to promote international trade put in service of growth and development, entered after an intense period of militancy in the 70's in a persistent shadow cone.

A third factor that determines the development of international trade, placing the footprint on the geographical configuration of trade processes is *regional economic integration*. If these processes were carried out in different forms and different intensities in the developed world and in regions of "Third World", the best example is the integration of countries in Europe within the European Union. From the founding Treaty of Rome (1957) until now, the organization has covered several stages of the integration process, achieving free circulation of goods, liberalization of movement of persons (in case, in the Shengen area), a program of measures to liberalize traditional and modern services, creating an European Monetary System and the introduction of the unique currency EURO (1999), the liberalization of capital movements (1993).

European Integration Organization proved in a short historical period, a great capacity for training new members, which reflects the trend to extend a project to continental scale.

The real performance of the European Union is the gradual deepening of integration in the intra-community area and, in parallel, increasing the role of center of economic power and trade in the global economy.

One of the themes addressed by theorists of economic integration refers to the effects of the integration processes on trade of the European Union member states. The integration would lead, on the one hand, a tendency to increase trade between member countries; while at the opposite side would produce an effect of "trade diversion", restricting trade relationships with countries outside the international grouping.

European Union experience shows that the effects of diversion is not necessarily cause: against the background of deepening division of labor under the impact of technical progress, the integration between developed countries seems more suitable to stimulate inclination towards trade and to lead to a general expansion of trade relations of the European Union.

Foreign direct investments

Foreign direct investments differ from international trade from several aspects. First, while trade relations involve interdependencies between the parties in commodity-money relations (supply-sales), foreign direct investments create and develops direct reports in production area. From the economic point of view, investment abroad implies an option for the internationalization of economic activity, namely, the production of goods and services.

Second, foreign direct investment means the investor involvement in the company management of the host country; it's participation in the sharing of profits and business risks. This can be done either by founding a new company or by purchasing a package of shares in a company of a foreign country, in a conventional manner considered that the acquisition of a rate over 10% from the capital of a foreign company is a direct investment.

Finally, while commercial operations are based on the relationship of debtor-creditor type (do ut des), foreign investment leads to the establishment between parties of reports based on the spirit of association (affectio societatis). Partners are partners, not sellers or purchasers, and have in the firm a position determined in principle by the capital share. As such, business relations do not have an intermittent character or strictly limited in time but tend to get a character of permanence and durability.

Between international trade and foreign investment in a complex relationship: the export of goods can be a first step in an international expansion that leads to foreign direct investments, as, foreign investment can stimulate trade relations between the country of origin and the country receiving investment .

3. The impact of globalization on the business environment in Romania

Currently many researchers examine the future of countries in transition in conditions of globalization and unprecedented growth of transnational companies. Questions they seek answer for relates to how they will evolve in these countries, to the direction towards which it is heading.

In Romania, the privatization process continues, the economic situation is fluctuating, particularly because the changes which have led the Romanian companies to find themselves in a competition in which participate organizations with tradition, which has significant experience in the competitive fight. The delay of privatization has not allowed making restructuring and modernization of major companies, and especially deep change of organizations management. Unlike developed countries where increasing the size of an enterprise corresponds to the increase in market demand and is followed, depending on the economic situation, by processes of restructuring large enterprises in Romania, in many cases were designed to meet CMEA market demand. Along with the radical alterations its conditions were not able to restructure and

modernize adequately. Neither the restructuring was effective due to the delay of the privatization process. Also, the division of large enterprises in Romania had had as effect fragmentation of technology flows and the reducing of competitiveness of the final product. For example, to the Dacia Pitesti car maker in 1990, the flow of technology has been divided into six companies, and the result was an increase in production costs. In 1994 it was necessary to revert the process and to return to the original organizational structure.

A major issue is how the small and medium enterprises can face the process of globalization. In this context, globalization is characterized by intensifying competition between enterprises both international and national, by the emergence of new production areas, which offers new opportunities to organizations which are able to benefit from them and by increasing the number of enterprises that choose to implement an internationalization strategy.

New international division of labor leads not only to intensify competition between companies belonging to industries capital intensive, such as those dominated by the techniques of peak, but also between "labor intensive" industries such as clothing, leather, traditional buildings which were prevalent in the Romanian economy. Small and medium enterprises (SMEs) often act as suppliers of large enterprises that are already on the road to globalization. A modification strategy of the big companies involves changes at the level of small enterprises too.

With the entry of new foreign organizations in the Romanian market or with the internationalization of companies' activities in Romania, the latter must remodel their attitude towards the quality and the promptitude of the offered services versus price and distribution policy of their products and services. Changes put their fingerprint on Romanian enterprises management also. To achieve this goal it is necessary to implement some competitive organizational structures to use modern methods and techniques of leadership and particularly the development of judicious strategies for the Romanian companies.

Management must act towards:

- ✓ insuring organization competitiveness in the economic context characterized by global restructuring and reorganization;
- ✓ developing an organizational culture which to encourage change and streamline activities by changing mentality towards change;
- ✓ ensuring employee satisfaction for the labor realized, and increasing the prestige of company through increasing quality and productivity.

Current dynamics of the world economy and in particular states of crisis through which have passed the economies of developed countries such as Japan, South Korea, as well as the crisis in Eastern Europe and Russia in the 90s had had a negative impact on the Romanian economy.

Even if Romania has a workforce with high skill level in a relatively low salary compared to other states of Eastern Europe, the Romanian companies faces problems, especially in the insurance and financial resources.

Evolution of management development of major transnational concerns indicated since the 70's since an increase of the importance given to financial problems compared to production field. Financial resources are the ones who decide the existence of an organization, but must not be forgotten that they are in a significant proportion directional to providing resources and technical materials. Unfortunately, in Romania in this dependency frame (financial-material resources) the share given of material resources is very little, does not understand that the provision of material resources is the first way of obtaining competitive advantage.

A determinant factor of influence in this process is the state property of certain enterprises, which should not be viewed through the simplistic theories which consider

it the main cause of economic inefficient, but through the fact that they no longer find the coordination that they need to the level of state administration, lacking of an information network necessary to coordinate companies activities.

This network has existed in the past, coordination being achieved through centralized plans.

Tragic is that in many instances this vacuum created which led to the disappearance of economic agents is depended by the interests of certain groups that dominate banking services. There are many cases in which managers of producing firms, states that they don't need supply policies because they are forced to buy the resources they need from abroad immediately that they get cash in foreign accounts. Following a relatively simple calculation, we see that this practice can be damaging to those organizations, which does not have a very good financial situation.

It is true that inflation in Romania represents an important obstacle for realizing a business in these circumstances price establishment and strict cost control, including those related to the supply process presents a great importance, and in organizational plan, financial divisions of organizations reach top positions in the hierarchy of its activities importance.

If we compare the degree of concentration of production in Romania to that of developed countries we realize that it is higher in some industries, which in the world, are less concentrated (garments, footwear, leather, wood, metallic) and is decreased in some industries, which in general are more concentrated in developed countries (technical computing and office equipment, television and telecommunications). If we analyze the structure of enterprises in Romania, we see at first glance that the degree of concentration of production in different sectors is nationally high. However the size of the biggest companies is less than that of similar companies in developed countries, which would constitute a disadvantage for the market liberalization at once with the European Union integration.

In recent years is taking more and more of the role of foreign investment in relaunching Romania's economy. On the one hand is wanted an infusion of foreign capital, which as known is at a low level compared with other neighboring countries, but on the other hand there are interest groups that block at least on indirect ways this process. In addition as if this barrier would not be sufficient and is also the political instability created especially for groups that are thinking about their own interest before they see the hard situation by which is passing the national economy.

Promoting strategic alliances could represent the basis of the development of Romanian economy in the coming years. An important condition for their effective functioning, is the partnership in which the ratio of forces to be 50-50. For this the government should support the Romanian companies by providing facilities to supply their lack of liquidity. In this way the Romanian economy could attract transnational companies, while at the same time maintaining national sovereignty, even if some would just become a link of the international chain's value. Without support from the state, Romanian companies will be gradually destroyed by the competing firms and especially by those in neighboring Hungary, Czech Republic, Poland, and Bulgaria.

Worldwide it is notable that the average size of the car industry are very strong internationally oriented, while the printing industry or wood processing presents a stronger national tinge.

Specialists say that globalization of an enterprise depends on more factors specific to the field of activity than on factors specific of the organization.

The trend of foreign organizations that want to invest in Romania is to buy companies that already hold a dominant position on the Romanian market. Analysis of the social impact of such transactions is difficult to quantify. Noteworthy is that this situation should not even be worrying because both and currently 100% Romanian companies

that hold dominant positions practice prices that do not take into consideration at all the needs of the population. The factor that must be decisive in attracting foreign investors is its supply of know-how which in any way must not be confused with the know-how that no longer corresponds, due to its morale, near to its original market. Negative examples in this regard are plenty in the Romanian economy.

Political factor plays an important role in promoting foreign investment. It is known that the financial circles that dominate international trade have produced a series of maps with risk factors for investment on the basis of which foreign investments are directed. Investment process is beyond the sphere of supply relations but they exist regardless of the nature of this process and play a strategic role in the global economy. Liberalizing the economy was and is assisted whenever necessary by all the developed world states, companies, in the areas of maximum interest are protected by state through compensation or subsidies, both for purchases and sales.

Another aspect that deserves stressed is that in Romania before 1989, large industrial businesses were not organized by markets and consumers, but only by technologies. Productive efficiency was searched and no market success. In a capitalist economy, forms of organization of the Romanian companies have been faced with significant challenges and have survived because consumers put markets first. A business strategy must be based on consumer needs and industrial companies in Romania have not been restructured in light of this challenge. That's why business strategy are now in Romania promoted almost exclusively by multinational firms, and Romanian ones - with few exceptions, such as Dacia Pitesti, Alro Slatina or Petrom - have not proved able to manage strategic business in these conditions the big problem is solving the relationship between transnational companies managing strategic business and Romanian SMEs. SMEs are generated by the market economy, the only formula able to reduce manufacturing costs of components of a simple product. Using sophisticated technology and flexible manufacturing systems, they get reduced costs. The market always offers opportunities for those working with low cost, competitive, a high quality, driven by modern technology. Unfortunately, transnational corporations who came to Romania have not found sufficient Romanian SMEs able to integrate and cooperate with them for the production of complex products. There were cultural issues, the mentality and managerial weaknesses. In the absence of a vision of economic development, foreign investors have organized empirically the Romanian market inducing perverse effects: bringing technology from import and the prescription of business (know-how), cheap labor from Romania and imports many components and assembles them into Romania. Simple ingredients that could be produced in Romania are imported, leading to major dysfunctions in the country's trade balance, imports far exceeding exports. Natural selfishness of the individual producer which wants to minimize its costs to occupy a market share as high as possible do not generate significant macroeconomic development if isn't fostered the cooperation in production to generate chain revenue. Therefore it may be necessary for policy makers to support through economic policy measures the big companies which integrates into their complex products as more Romanian components which are now imported, although can be produced with low costs in Romania also.

4. Conclusions

Currently and in the Romanian economy perspective transnational corporations may play a very important role for both internal growth and output of the Romanian firms across the national borders.

The level of foreign direct investment in Romania is still very low and has an oscillating trend; in exchange the share of foreign direct investment stock relative to GDP level is

on an upward trend. Romania's interest to attract companies, however is, obvious, at least through the need for financial resources and competent management. Perspectives on the evolution of foreign investment in Romania are moderated. Progress on efforts to join the European Union can be a positive factor, but it is not enough. It is expected that the level of foreign direct investment in Romania to see a slow growth over the medium term, a real change can only be expected in conditions of achieving progress in terms of functioning market economy and of resumption of long term growth, carrying out structural changes in Romania's economy of strengthen the private sector in the economy and of stabilizing the institutional and legislative framework.

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