

USE OF ACCOUNTING DATA IN EVALUATING INDICATORS REGARDING THE INCREASE OF COMPETITIVENESS IN THE SME'S

Cristina Mihaela NAGY¹, Bogdan COTLEȚ²

¹ „TIBISCUS” UNIVERSITY OF TIMISOARA, FACULTY OF ECONOMICS

²WEST UNIVERSITY OF TIMIȘOARA

Abstract:

«The World Competitiveness Yearbook» the most famous Annual Report on the competitiveness of nations which examines 60 countries and competitive economic regions based on four competitive factors: economic performance, government efficiency, business efficiency and infrastructure. An important objective of governance is to support SMEs to become competitive, according to the single internal market rules.

Key words: Competitiveness, SMEs, Macroeconomic indicators

JEL classification: M41

INTRODUCTION

In 2009 "The World Competitiveness Yearbook" - the most famous annual report on the competitiveness of nations - developed by the World Economic Forum ranked Romania rank 68 of 131 countries (Bulgaria reached the place 76), this being a climbing 6 places rankings from last year when it was ranked 74, came close to the place in 2005 when it was ranked 67.

The Romania's efforts for achieving a functioning market economy has been visible since 2003.

In 2003 was elaborated the National Development Plan (NDP), national strategic document witch fundaments the assistance from the European Union, to our country. By NDP policy itself promoted the economic development for Romania's Medium Term Strategy (during 2004-2006), who pay special attention to creating and developing of SMEs.

Objectives over the medium term targets are: creating new jobs, increasing the contribution of the SME sector in GDP (Gross Domestic Product) to levels comparable with other candidate countries and increased exports made by SMEs.

Ministry of Economy and Finance and he started in early 2003 " The Program on increasing the competitiveness of industrial products" (GD no. 1247/2005) by promoting the competitiveness of minimum requirements for Romanian industrial products to meet the increasingly fierce competition in the single markets EU.

The previous government approved by the Industrial Policy of Romania for the period 2005-2008 a policy focused on *improving competitiveness*, promoting the competitiveness of minimum requirements for Romanian industrial products to meet the increasingly fierce competition on the EU's single market.

Received from the state budget funds to finance development programs intended to support SMEs, increase the competitiveness of SMEs and facilitating the confrontation with competition from the European Union

Romania Governance Program of the Coalition government-PD-L PSD during the period 2009 - 2012 devotes a chapter *competitiveness, business environment and SMEs*,

and has the objectives of the government "*Supporting small and medium enterprises to become competitive, according to the rules single internal market and not distort fair competition conditions*¹.

DEFINING COMPETITIVENESS

Once the phenomenon of globalization has been recognized that the prosperity of nations implies competitiveness on international markets, so it is a topic discussed at each actor of the economy from the economic regions to that of any company.

The concept of competitiveness evolves from *static competition* where competitive advantage was given the gift of technical factors, the *competitive dynamics* of the motor factors are: technical progress, increasing wages and modern management methods, which made the competitive advantage to overcome the economic dimension by increasing financial and productive power of the country, education, safety and quality of life.

Competitiveness is a current problem and addresses at the *microeconomic* and *macroeconomic level*.

Competitiveness of a country is influenced by the *level of competitiveness achieved in each of the actors of the national economy*, so, to contribute to the competitiveness of all sectors of national economy and, all branches of national economy, all organizations within each industry.

Thus, the productive sectors of national economy, contributes by increasing their competitiveness, *increasing GDP, value added*, while other branches contribute to the work undertaken to improve the quality of life (health, culture, social assistance) to build a qualified workforce (education), the operation efficiency of justice, etc. ..

Competitiveness of a country is reflected in the evolution of macroeconomic indicators that are presented by the national accounts.

National accounting is a simple representation and numbered of all economic transactions carried out by all organizations of the national economy in one year.

State assets, the financial results obtained, the flow of Treasury and the degree of indebtedness of the company are reflected in the *financial statements*.

Annual financial statements include: balance sheet, the profit and loss account, statement of changes in equity, the cash flows, notes to the annual accounts, accounting policies.

The main users of financial statements are: investors, employees, creditors, suppliers, and the public interested in trading the shares.

"The World Competitiveness Yearbook" - the most famous annual report on the *competitiveness of nations* - examines 60 countries and regions competitive economy based on four competitive factors and specific criteria for assessing them.

The four highlight competitive factors are: economic performance, government efficiency, business efficiency and infrastructure.

Competitiveness of firms may be defined as: "a characteristic company face competition of other similar firms in a given market".

For a company to be competitive is deemed necessary to conduct a rigorous analysis of both the company and the environment.

Competitiveness of a firm lies in its ability to make large incomes as a result of increasing sales and / or profit margins in markets that compete to win positions as the best on them or to defend the positions held².

Economic indicators that affect the competitiveness of an enterprise are:

¹ Governance Program 2009 - 2012, published in the Official Gazette no. 869 of 22/12/2008

- turnover,
- profits,
- ability of self,
- the threshold of profitability.

Competitiveness can be seen both globally and in each component. The overall competitiveness of a firm's competitiveness is determined by each of the following components / categories of competitiveness: global, financial, commercial, human, managerial, technical, organizational.

The global competitiveness of a company represents its potential and involves making a diagnosis or a critical inventory of available capacity, meaning the forces available and weaknesses of all the company, with particular reference to key factors of success and competition.

Financial competitiveness is given by the ability to carry out a series of indicators: the size of profits, ability of self financing, the amount and maturity of loans, the potential financial return: return equity potential solvency: the ability to meet the repayments.

Commercial competitiveness is highlighted by: the market share, turnover development, the threshold of profitability, position in the life cycle for each product and commercial reputation: brand image, customer loyalty, consistency range of products, the advertising budget, etc.

Human competitiveness is the result of specialized labor, level of qualifications, absenteeism rate, and the rate cap.

Technical competitiveness is expressed by the nature of the equipment: age, performance, technical advance, the importance of R & D, level of automation, supplies, relations with suppliers, stock rotation

Managerial competitiveness is the result of leader profile: age, experience, education, management skills training (fitness headquarters, a delegation of the negotiation, the spirit of synthesis, the employees, and the degree of cohesion of the team).

Organizational competitiveness is affected by the organizational structure, number of hierarchical levels, the nature of delegation decisions, the degree of decentralization of information, the degree of integration of services to individuals and business objectives, how to complete objectives, the achievement of control, the state social climate. thousand

EVOLUTION OF INDICATORS WHICH INFLUENCE THE COMPETITIVENESS OF SMEs

In the period 2005-2008 the government has acted to raise progressively the percentage allocation of financial resources, GDP, to stimulate and support SMEs. In 2007 the amount allocated from the state budget to finance programs intended to support development of SMEs, increased the competitiveness of SMEs and facilitated confrontation with competition from the EU is 76,310 thousand lei and increscent in 2005 to 69,840 thousand lei and in 2006 to 73,500 thousand lei.

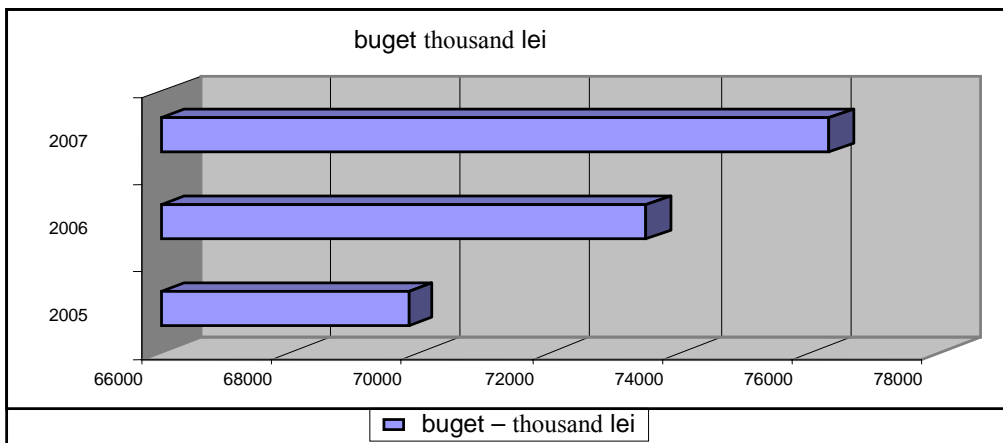


Figure no. 1. Evolution budget to support development of SMEs through programs
 Source: Ministry of Economy - Directorate General industrial policy and competitiveness

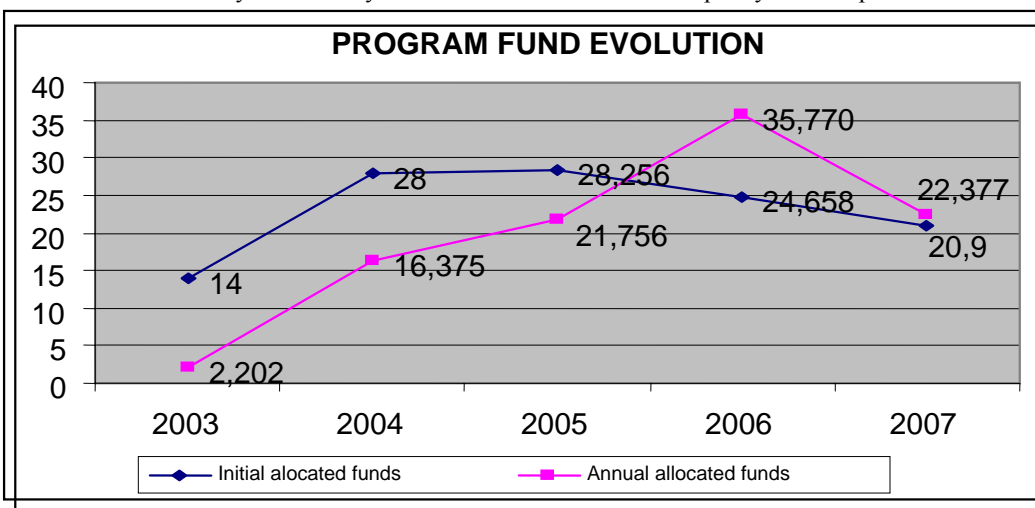


Figure no. 2 Evolution Program for funds to improve the competitiveness of industrial products in the years 2003 to 2007.

Source - Ministry of Economy - Directorate General industrial policy and competitiveness

For “Program to improve the competitiveness of industrial products” number of projects submitted and the funds paid to beneficiaries have increased continuously, from 315 projects submitted in 2003 to 814 filed in 2005 and the highest percentage of accepted projects is 67.16% in 2007 .

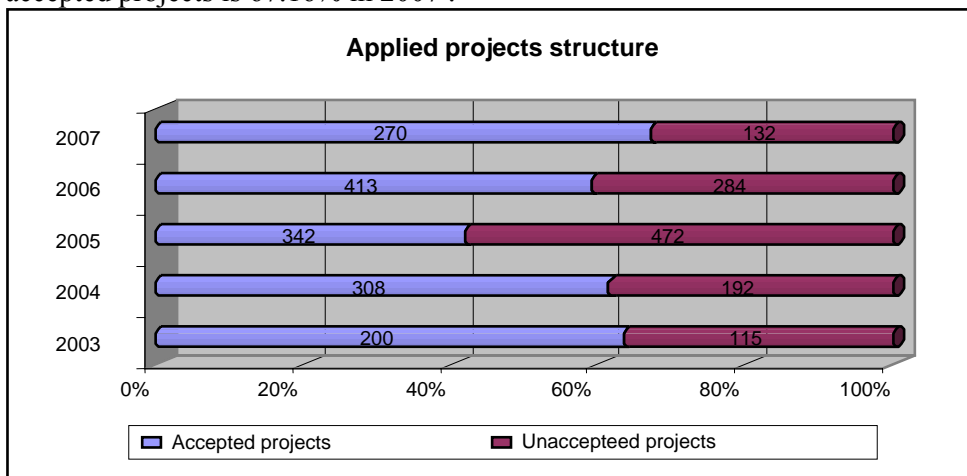


Figure no. 3 Structure of projects submitted for the years 2003 – 2007

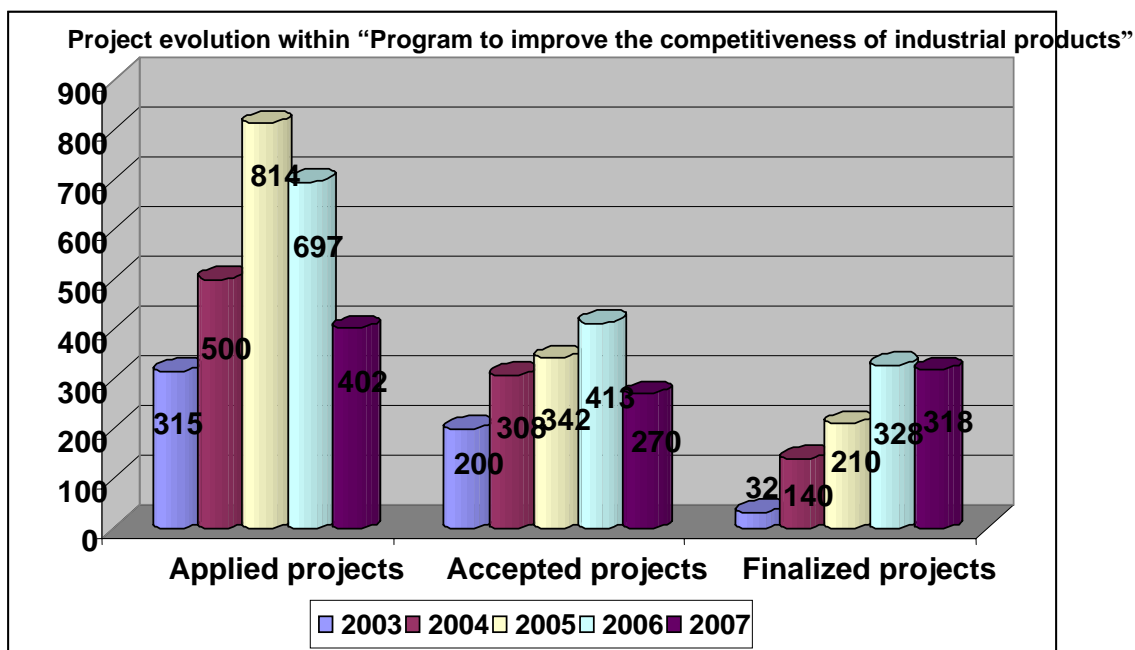


Figure no.4- Evolution of the projects in 2003 - 2007

Source - Ministry of Economy - Directorate General industrial policy and competitiveness

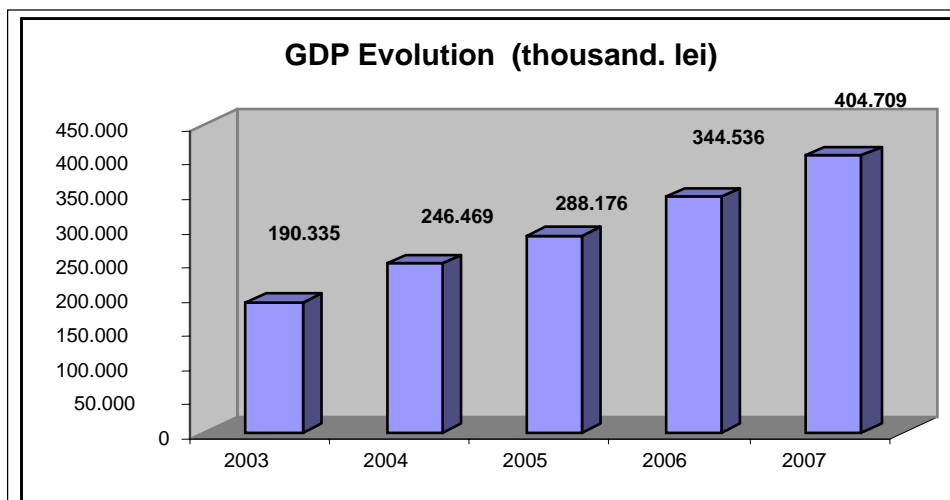


Figure no. 5 - Developments in GDP during 2003 - 2007³

In the last five years, Romania has recorded a macroeconomic stability, essential for sustainable development of the country, marked by consistent growth of GDP, based on investment, exports and less on consumption.

According to information provided by the National Institute of Statistics and National Bank of Romania in the annual publication "Romania in figures" and in the Annual Report for 2007, the main macroeconomic indicators have continued to consolidate the positive developments in previous years, the fact fully illustrated by the annual rate of growth in 2007, which amounted to 6%.

³ Source: National Bank of Romania, Monthly Bulletin December 2007, Statistics Section: nominal data, current prices

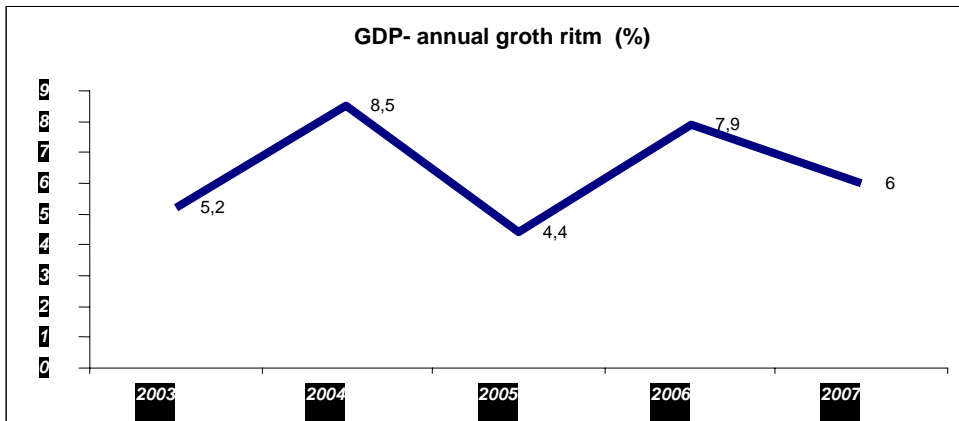


Figure no. 6 - Annual growth of GDP in the years 2003 - 2007

According to information provided by the National Institute of Statistics and National Bank of Romania in the annual publication "Romania in figures" and in the Annual Report for 2007, the main macroeconomic indicators have continued to consolidate the positive developments in previous years, the fact fully illustrated by the annual rate of growth in 2007, which amounted to 6%.

One of the objectives in the medium term target was to create new jobs in SMEs sector. Structural changes were reflected in changes in the structure of employment and share of employees in the economy, the private sector becoming the main creator of jobs in the economy. The average annual number of employees in the SME sector in 2006 amounts to 2726 thousand, compared to 2259 thousand in 2004 and 2726 thousand in 2006, preceding accession. According to data from the balance sheet at the end of 2007, the average annual number of employees in SMEs was 2764 thousand people, representing 22% increase compared to 2004.

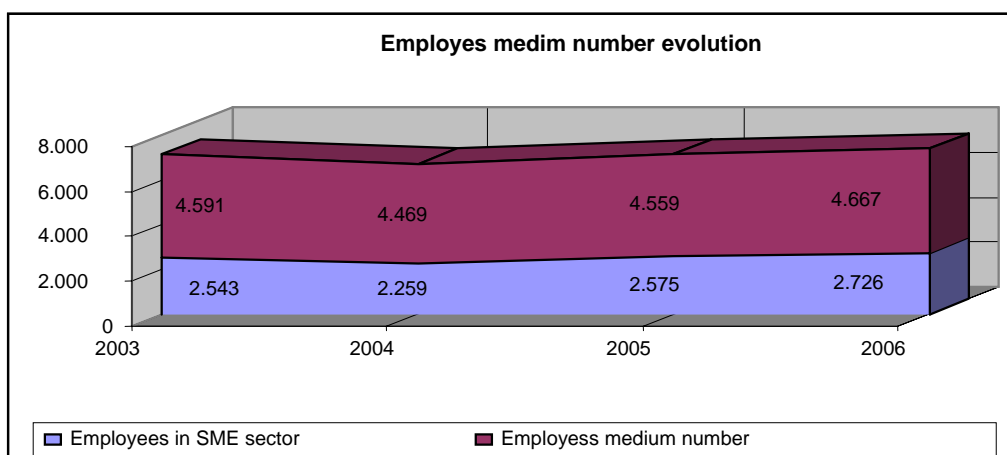


Figure no. 7 - Evolution of number of employees in the economy and private sector

Performance of SMEs is the development of *turnover* and balance sheet data for 2007 indicate a total turnover of the SMEs of 139,132 million Euros current prices, of which 40,031 million Euro made by enterprises, 48,142 million Euro for small businesses and 50,959 million Euro for medium enterprises. A comparison of the relevant contribution of each type of business turnover in the sector of SMEs, depending on company size

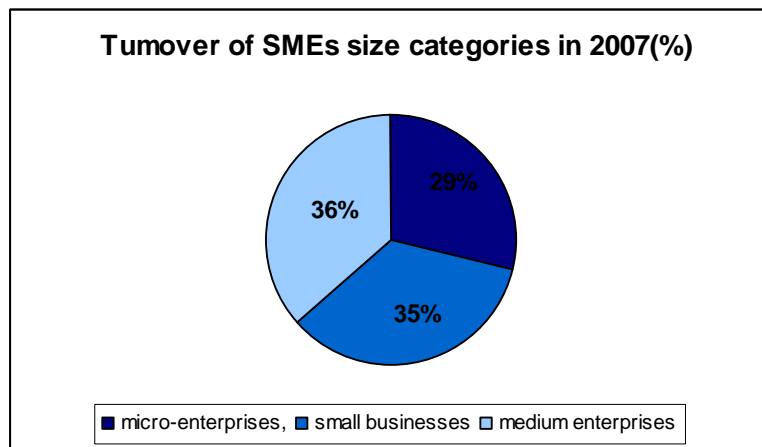


Figure no. 8. Structure of turnover of SMEs size categories in 2007 (%)

Efficiency and profitability of SMEs can be measured using several economic indicators, of which the most relevant is *the level of productivity*, defined as the ratio between turnover and number of employees or, alternatively, that the productivity per employee. Moreover, the growth performance of SMEs with regard to this aspect of economic efficiency and competitiveness is a constant concern in the European Union, a fact illustrated directions and strategic action to support the emerging private sector

In terms of foreign investments in 2005 were monitored and assisted 74 investment projects (compared with 52 in 2004), whose aggregate value is 2870 million Euro (2400 million Euro in 2004), at different stages. In the first quarter 2006, were supervised and assisted 43 investment projects in the phase of intent whose aggregate value is 1118 million euro, whose social impact will be materialized through the creation of a number of 13,241 new jobs.

CONCLUSIONS

The pillars of competitiveness are described separately, are not independent: not only they are related to each other, but they tend to reinforce each other. For example, innovation is not possible in a world without institutions that guarantee intellectual property rights, cannot be performed in countries with poorly educated and poorly trained labor force, and will never take place in economies with inefficient markets or without extensive and efficient infrastructure.

BIBLIOGRAPHY

- Danciu, V., Competitive Strategic Marketing, Ed Economica, Bucharest, 2004
- *** Stage Program to improve the competitiveness of industrial products to 31.12.2008
- ***Annual Report SMEs 2008 - The National Institute of Statistics
- *** No.1172 Government decision of 25 September 2005 Romania's Industrial Policy for 2005-2008
- *** Governance Program 2009 - 2012 Published in Official Gazette no. 869 of 22/12/2008
- <http://www.mimmc.ro>
- <http://www.anat.ro>;
- <http://www.chf-finance.ro>
- <http://www.gcr.weforum.org/>