DOING BUSINESS IN THE EUROPEAN UNION

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Abstract:
Participation of Romanian companies to the European market was achieved with the accession to the European Union. This, however, does not involve itself a place at the head table business and business opportunities, therefore, Romanian companies should consider doing business with European partners very carefully. In this respect, it requires knowledge of the business environment, EU legislation in the field and not least, competitive market conditions in Europe. Follow rules for opening business with foreign partners, careful analysis of funding opportunities, knowledge of basic principles in business and avoid errors in their development are just some of the issues pursued in the paper and should be considered by the Romanian companies want to start business with European partners.

Key words: *business, companies, european market, business environment*

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European firms have in recent years more and more opportunities in the conquest of new markets. Single European Act completed the process of total elimination of barriers to the movement of goods and services, creation of the Single European entry into the European Union of Austria, Finland and Sweden in 1995 and 10 other Central and Eastern European countries in 2004, and the Romania and Bulgaria in 2007. Also, other former communist countries transition to market economy has increased the chances of successful internationalization.

Internationalization decision can be taken for several reasons, among which the most important are:

- Internal market can not support the growth of the company;
- Fierce competition on the domestic market;
- Reducing the rate of profit;
- Wish to register economies of scale by increasing production;
- Diversification;
- Risk-sharing in several industries and several markets, etc..

1. Entry barriers to European markets

Entering a new market can be done only through exporting (directly or indirectly) or through direct foreign investment, even in collaboration with a local firm, but this entry may be affected by numerous barriers. The first step is taken into account barriers to entry are, respectively, the output of that industry:

- Cost of capital;
- The need for research and development expenses;
- Economies of scale;
- Number of competitors;
- Pricing policies of competitors;
- Product differentiation;
- Cost of access to distribution channels;
- Access to strategic raw materials (oil, uranium etc.)
- Technologies used;

- There is a public sector.

In all this adds specific entry barriers in a foreign market, such as language, culture, trade policy regulations (control of imports), exchange rate fluctuations, which may require legislation, for example, that a foreign firm does not could enter the market only in combination with a local firm (as a joint venture), differences in technology (eg cars produced for the UK and Ireland drive on the left).

Many entrepreneurs ignore foreign markets. Some believe that there is no demand for their products, others believe that their companies are too small to do business abroad, considering that this is just an attribute of large companies, some think that the bureaucracy is too large in international trade, and finally, others simply do not know the business opportunities in other countries.

With a few inquiries and assistance, however, successful entrepreneurs can do business abroad. They can gain substantial benefits through a favorable exchange rate, higher return on investment, more efficient use of resources, lower taxes, diversification of production.

For many entrepreneurs, the most difficult problem in this context is the decision to engage in international business. Once the decision has been taken but they must choose the method of entering foreign markets and establish the procedure for entry.

2. The choice of entry into international business

The entrepreneur can engage in international business in five ways: import, export, licensing, joint ventures and direct investment. Each of these methods involve a high degree of risk. Imports are buying products made abroad and their transport in the country for domestic consumers. The reason is that lack of domestic products, better quality foreign products and, sometimes, cheaper costs. The entrepreneur can learn about import opportunities through participation in fairs and exhibitions, trade publications, consulting, Chambers of Commerce, business development centers. Of particular importance is confidence in the foreign supplier.

As an importer, the developer must submit to the foreign country's export restrictions and the import of his country. In no case will import products subject to boycott. Also, it is not permissible to import quota product. Consequently, the entrepreneur must be aware of all regulations and tariff barriers to export and import. Export to another country involves the sale of products or services in the country. This is the most common way to operate on foreign markets.

Export implies a low risk and low investment, increasing the chance of success in foreign markets. He is one of two ways: indirectly and directly. Exporting is done indirectly through intermediaries. It is the simplest and least expensive way to export. The product is sold to a domestic or foreign intermediary who assumes the responsibility of marketing in foreign markets. Therefore, export risks are assumed by the intermediary. The great disadvantage of indirect export market is that the entrepreneur loses control and distribution. Also the product price will be higher, which may affect market penetration and achieve a better market share.

Direct export abroad directly involves the sale of the product by entrepreneur. In this way the developer has greater control over the export process, a higher profit potential and a direct contact with foreign customers. Of course, the risk is higher in these conditions, the costs are higher and more complex activities. Direct export can be done either through a sales representative or through a wholesaler or retailer or directly to the final.

Licensing is a business arrangement by which a product manufacturer or owner of patents, trademarks, copyrights, know-how of foreign nationals granted permission to produce that product or own the rights set out in exchange for fees or charges.

Licensing allows rapid penetration of foreign markets at low cost. However, the entrepreneur has little control over production, distribution of the product. In addition, the license is granted for a specified number of years, a period after which the foreign partner may become a competitor. Also, between the two parties can occur and some conflicts of interest.

A joint venture is a partnership between the entrepreneur's company and another foreign firm. In this way, assets, profits, property and business risks are shared. Some countries strongly encourages the establishment of joint ventures. They have certain advantages: the penetration of protected markets, lower production costs, sharing risk, improve distribution. Among the disadvantages of the joint venture are: a minority shareholding and therefore less control over the firm, conflicts between partners, restrictions on repatriation of profits.

The highest degree of involvement in international marketing is direct ownership. This involves building a factory or opening a shop abroad. Entrepreneurs rarely resort to this way of entering foreign markets because it requires substantial financial resources and adequate staffing, which often has entrepreneur.

3. Establishing procedures for entry into foreign markets

For entry into foreign markets, the entrepreneur must take the following steps:
- Carry out market research;
- Feasibility study;
- Securing funding;
- Developing the necessary documentation;
- Development and implementation of foreign market entry strategy.

Market Study

The market study aims to identify those countries or regions that represent potential markets for your business and collect and analyze information about each of these countries. The information will cover issues such as: trends in product use, the number and type of potential users, the number of competitors, the nature of product distribution channels. It will identify product-related trade barriers, both in country and abroad.

Development of the market can be very difficult, since data on some countries are not sufficient. Chambers of Commerce can provide useful information in this regard. Also, the Internet is a veritable wellspring of information about world states. Once you have collected and analyzed information about a number of countries, it will retain some countries that will continue the study to develop export strategy.

Feasibility study

The feasibility study is a critical document of foreign market entry process, as is to justify the viability of the project. A feasibility study generally contain the following information:
- Choose the input method and its justification;
- Profile - market: target market, society and culture, key demographic factors;
- Analysis of target market consumers;
- Legal issues;
- Identification and risk analysis;
- Financial considerations;
- Labor, management and control strategies;
- Providing funding.

In international markets are used the following forms of payment:

- Advance payment, the customer pays before the arrival of foreign goods, which favors the exporter;
- Account, in which case payment is made after the goods arrival to foreign customers, in this case is encouraged foreign purchaser;
- Consignment, in which case payment is made after the property is resold, what can be very risky for the seller;
- Payment order, which means the transaction through an exchange of documents authorizing the payment and transfer of title, negotiable instruments;
- Letter of Credit, which requires commitment from the buyer's bank to pay the developer the money, in accordance with the terms of carriage. The most common form of payment is the letter of credit.

Of course, you can use other methods of financing such as barter, which involves offering other products in exchange for goods exported or factoring, whereby the developer pays the factoring house immediately exported goods, while retaining the obligation to collect amounts due thereafter.

Develop appropriate documentation

Export documentation is very complex, the developer may encounter serious difficulties to complete. Useful information in this regard can be obtained from Chambers of Commerce, which provides necessary assistance to complete the documentation. Also, banks can also provide necessary assistance.

Development and implementation of foreign market entry strategy

Some entrepreneurs are tempted to enter foreign markets without careful evaluation of existing markets and opportunities in those markets. Developing an export strategy, however, significantly increases their chances to exploit all possible opportunities in those markets and to efficiently use available resources. Strategy to achieve stated objectives, identify existing constraints, formulate and determine actions to be followed to implement programs.

4. Identify business ideas and opportunities and strategies for entering the European markets

The first thing you should do after a person has decided to engage in business is to identify possible business ideas to viable opportunities arise. An attractive and well-defined opportunity is the cornerstone of a successful business. It is particularly important to distinguish between the idea and opportunity. Opportunity in the entrepreneurial sense is an idea that can be turned into a business. It has the quality to be attractive, sustainable, timely and aimed at a product or service that creates or adds value to the purchaser or end user. Basically, the act of making the feasibility study is designed to transform business opportunity idea.

The process of identifying and evaluating business ideas opportunities business is influenced by the way in which it is desired to enter, training, education, financial opportunities and family situation. Because business ownership is a very personal matter, is necessary to take into account a wide spectrum of possibilities. Entrepreneur's mission is to identify business that helps you best achieve its objectives. Direct export is a process that requires that the company produces and sells goods directly to the foreign market, especially as practiced by the small firms and new entrants in the international market.

It offers the advantage of direct control over the conduct of transactions, eliminates the need for intermediaries, reduces risk and enables a gradual increase. The disadvantage is that, despite contact the manufacturer has with the market, knowing it is lower than if the company would work with local staff, or would there build capacity.

Exporting indirectly involving the use of a specialized company for selling products on the market. The agent can work only for the producer in question (if freight volumes justify it) or manufacturers can sell more products. There is no control on how the agent is involved in selling products on the market, but there the advantage of a permanent contact with the target market (the agent is a firm with local presence).

Indirect export can be run as a contract with a distributor or an export house. Capital migration from one country to another can be done in two forms:

- Direct foreign investment - is to establish a branch in another country by building factories, offices, warehousing facilities, sales etc.. Or by acquiring existing ones;
- Foreign portfolio investment - is the acquisition of shares, bonds, etc., through banks or investment funds.

Forms of direct foreign investment: the establishment of a subsidiary - though it requires an additional cost to use a distributor, the effect will be positive over the medium term through a deeper knowledge of the market and its needs, acquisition / takeover of a business - involves high costs; joint ventures - a business that wants to enter a market buy a significant stake in a company already operating in that country. It will benefit from the experience of local business, saving money (not required to buy 100% of the shares to gain control), higher profits, a high control over the activities of production, marketing, etc.., Licensing and franchising.

5. Initiate business engagements with European partners: rules to follow and mistakes to avoid

The initiation of business with foreign partners is necessary because the accumulation of knowledge and information, initiating business, particularly in partnership with foreign companies, involving a degree of ignorance, which increases risks, and so big of a business. For this we should never rush to engage in a long term partnership. It is first necessary to know the partner, this can be achieved by a test action. If it works for both parties, then think about how to build a lasting relationship. Contracts should not be neglected, which should protect you in case of conflict. It is important not to become paranoid: some express concern with strategic allies, especially when it comes to big companies that absorb the know-how of the company. This should not happen if you raised the issues of organizational culture - but you still take precautions.

Information can be gathered from discussions with other entrepreneurs in the industry to see if the potential partner has any reputation in this respect. No matter how friendly it seems the new partner, protect your intellectual property (patents, trademarks, etc.). As far as financially prudent before signing such a contract of partnership. Then, after reading this delicate stage, you no longer worry too much. As a general rule, contractors are overly concerned that others want to steal ideas.

Who should handle seeking potential allies? Although associations may have a few ideas, the answer is: the entrepreneur. In part because of his charisma always useful, in part because of the position of associate general manager can address the majority of companies of all sizes on an equal footing, in part because, after all, he remains the expert in the company, sales and market direction. Sales specialist must be continually involved in negotiations and should be responsible for the completion of partnership (contractor will want to discuss several aspects of the alliance and would be led into another room).

A great place to tackle is the ideal partners to offer fair, where sales managers of large companies often deal with deployment of staff to the stands and are keen to talk to people. Invite them to lunch, I determined to tell you about their customers and try to identify ways in which you can help. It may not fall into the net, even if they have tried, but if the product offered is good and you do your homework, you have a chance to succeed.

The high technology industry, the best strategic partners are the producers, not the companies that provide services. It is quite possible that a large logo services companies look good on your website, but they give up very quickly to make alliances. Once you have managed to form an alliance, the task of all is, of course, to help maintain a healthy and lively - in other words to be profitable for both parties.

Common errors to be avoided for business

1. Underestimating the competition;
2. Incorrect assessment of the application;
3. Insufficient knowledge of distribution channels;
4. Investment premature;
5. Over-projected profitability;
6. An inadequate assessment of the time;
7. Neglecting the knowledge sector;
8. Activity too personal;
9. Understatement of legal barriers;
10. Disagreement with the association.

According to Paul Hawke - many successful businesses have started very modestly. Many employers we have had success, I started thinking that what they have done was what they wanted in life. Their ideas have emerged from a deep involvement in certain areas, hobbies or other interests.

In conclusion, a good deal or literary value is true and vague expression of its author's personality. To turn a business into an entrepreneur of every company and must comply with key elements identified in this paper but, especially, to look realistic destination market.

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