

## THE ROMANIAN COMPANY IN THE EUROPEAN SYSTEM

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*Firms, although have the same economic purpose in any geographic or economic space would represent a very different world. Even in the context of integrating each company has its identity is its numerous features, which show in this respect their diversity, depending on which distinguish groups of smaller firms or larger, in which the peculiarities are considered sufficiently obvious to generate differences which induce significant economic impacts both nationally and globally. In all their businesses in the European Union has an essential role in ensuring the production of goods and services to the population and economy in this part of the world and not only are the most important source of entrepreneurial skills, innovation and jobs. World firms from the European Union exists and operates with two speeds - a European (single) and other national-European different more or less from one country to another.*

*Keywords: business, SMEs, competitiveness, efficiency, integration*

*JEL Classification:*

The European Union, as any integrationist group, has been conceived and exists mainly as an answer to the numerous issues of this part of the world's countries and people. But the said issues are not limited to being internal to each country, but also zonal-regional and international-global. The solving or attenuation of the issues confers numerous economical advantages and maybe more to member countries, thus confirming the hopes that stood at the base of the incorporation demarche. In such context, which is sometimes more complex and more difficult than we had sketched, the economical units of Romania enroll with what they have their own but also in common with the companies whose incorporation already is more or less recent history. Acting in such a frame, the companies of Romania gear more and more into the web of direct and indirect relations own to the European economical space which evolves towards a specific identity, own, characterized by the tendency of creating and strengthening a unit founded on diversity.

Forasmuch diversity is founded on peculiarities, we first observe that companies in our country position themselves in the European economy by advertising several of their socially and economically relevant characteristics. By comparing to the state of other EU members we observe that our country's economical units together achieve an average per inhabitant and employee output which places us on one of the final places compared to companies in other countries of the EU. The idea that their size does not allow better parameters is being discussed and from this situation also comes the their relatively low competitive capacity. Their efficiency as a whole does not rise to the level of the European countries averages, though this does not apply to all Romanian companies, few actually being in good shape.

Compared by categories in accordance to the juridical and statistical definition adopted by the EU, Romanian companies mostly cluster in the categories of small and medium companies. The percentage of large and very large companies in the total of companies in our country visibly puts us below the average European level and extremely low compared to those belonging to developed countries. We stress these aspects in the idea of a qualitative vision, known that qualities too (good or bad) can often be quantified by number, quantity. The effect of scale economy, at least the potential effect, is directly proportional to the size of the company but their way of administrating, their management can better or worse fructify it. And because under this

aspect we are not well positioned, we can conclude that we have much space to increase our efficiency, which space we must make better use of, especially in large companies. It would of course be a grave mistake for small and medium companies to neglect this object, which companies represent the majority and their actual total contribution would be sensibly greater than large and very large companies.

Quite interesting is the fact that this negative efficiency delay is present at all levels of Romanian companies (very large, medium and small) but the greatest of differences mostly affect small and medium companies. Making up for these delays, coming close to the efficiency levels of companies in the richer countries of the EU remains simply an issue of time, unfortunately this applies to longer or shorter periods of time, not from day to day or year to year. The European funds which benefit Romanian companies are truly important towards acting in this direction but not enough and especially depend on the proper use of these funds and us increasing efficiency in the domains we suffer most.

Most interesting is that in the EU the highest efficiency rates are registered in large and very large companies (with 250 or more workers) whom cover 32% of the total work force and produce 43% of all added value. The number of large and very large companies account in the total of European companies as 0.2%. But in Romania the companies which belong to this class represent less than 1% of all and produce more than 55% of all added value and 37% of the brute product of the financial exercise. Given the great difficulties with which our country's SMEs, including fund management, with a low crediting rate, assessed to around 24% of that of the EU, where they go up to 78%-80%. The most frequently encountered reasons to why SMEs crediting is difficult are : the quasi-inexistence of business consultation, bureaucracy, high taxation, low levels of fiscal deductions for investment. We would also point out that the average size of Romanian companies is, both totally and by all 4 categories officially known, inferior to the European average – in terms of capital, personnel, turnover, profit, added value, a.o. This falling behind is especially worrying in regard of investment volumes and direct export. Of course, the superiority of European companies is obvious but this does not rule out the results of the empirical studies which prove that there also are Romanian companies belonging to all classes which are working fine in terms of just about all we have mentioned here.

In terms of a prevailing type of enterprise micro, macro, medium or large in the total employed population, the situation is as follows: Austria, Belgium, France, Greece, Italy, Spain and Sweden are prevailing micro, Denmark, Ireland , Luxembourg and Portugal are prevailing SMEs, in Finland, Germany, Netherlands and UK are prevailing large enterprises, etc.. In the EU, SMEs have a role in employment, and the most important place of micro that fare enjoying the increased attention of governments in the economic policy that they promotes.

Taking into account the level of economic development and the position of Romania as a country situated at the threshold between the small and medium enterprises, which is much closer to the upper limit of small countries, companies or enterprises are taken in consideration by their resemblances, and differences in relation to the other EU countries. They have a specific transformation process and a noticeable dynamic in order for them to be included in the idea of diversity. We can mention some specific issues: the slower formation of more modern features by firms today, a much less dynamic in terms of their number in the last decade (formation, disappearance, concentration, centralization, mergers, etc.). ; the number of Romanian companies copied faithfully the evolution of the economy cycle, the share of large firms and very large in the total number of firms is much smaller than in the EU, the share of private firms mostly lies clearly below the level of EU in five essential economic indicators in 2004, small and medium enterprises recorded higher levels than large ones and very high turnover (57%) and the result of gross exercise (63%), etc..

In Romania, the current types of SMEs have appeared in two ways: by the privatization of state companies and by the free initiative of individuals or associations of people (of Romanian

nationality and / or foreign) that, to satisfy their interests and have taken corresponding risks. Concerning the concept of SME it is used in the same sense and with essentially the same characteristics as in the EU, where also same legal criteria were adopted, but the statistics still lingers some inconsistencies, that probably will disappear soon or will be very much closer to the EU. However, we have a specificity that is not encountered in other countries ; there aren't (at least officially) enterprises with zero employees, because the law does not allow it, SMEs are required to have at least one employee, and in recent years proposals have been advanced by the government that starting of 2006, micro-enterprises must have at least 5 employees, but the discontent which it generated, led to secondary concern and abandon.

The total number of existing active enterprises grew; over 99% are SMEs, and the turnover which they have achieved is at 57.5% of the total national economy. Also, the class size of SMEs, small enterprises are the most numerous and have a share of 88% in all existing enterprises in Romania and 89% in SMEs. The Share of this class of enterprises in the total turnover of companies in the country according to their calculations, is reaching approximately 34%, and in the turnover of SMEs amounted to 58%. As a weird spot of our economy, small enterprises realized sales of own activities, which reached a share of 96% of the turnover of large enterprises (with over 500 employees). The conclusion is obvious - SMEs are prevalent, they are in an undisputed number, but their contribution to economic activity is at lower weights of most European countries.

Overall dynamics of SMEs, in a sense, hide a very complex evolution of types of activities or economic sectors. The Number of SMEs registered in constructions has an annual growth rate of over 23 percent, while agriculture growth rate was 9.2%, 9% in industry and in services 13%. As a result of such dynamics important changes were made in the number of SMEs by sector of which the most significant are :

- From all SMEs, the most numerous are those which operate in the services which also includes wholesale and retail trade, whose share fell from 80.6% in 2000 to 72.5% in 2007;
- Rapid growth of construction under the expansion of urban and residential infrastructure, **Sapard** modernization and others determined the doubling number of the share of SMEs in this sector in the total SME;
- the Number of small and medium enterprises in the industrial sector developed maintaining its share at the same percentage values for the whole period;
- Agriculture has undergone a slow and sinuous evolution regarding the number of SMEs which resulted in reducing their share to 3.1% in 2000 to 2.8% in 2007;
- Size of small size industrial firms is superior to other areas and the services sector is by far dominated by micro enterprises, while the size of the small and medium enterprises in this field are compatible (close) with those of the same size category that are acting in construction and agriculture;
- Tendency during 1999-2007 there is evolution in the balanced territorial profile number of SMEs, without a noticeable sensitivity to reduction of existing gaps;
- Statisticians and authorities in the field of SMEs and disclose existing tendencies to assert a specialization in sectors of SMEs from different regions (Bucharest-Ilfov in services and construction, South and South-East - the agriculture, Center, West and North - West - industrial profile, etc.).

Regarding the dynamics of SMEs by 2000, in Romania it can be observed two important phenomena taking place under the overall state of the economy: a more spectacular dynamic, with higher numbers growth trend of the economy, a slower dynamics number in years with the difficulties in the economy. Among the classes of SMEs, the highest availability in this regard in other countries have micro-enterprises with zero employees and then those with 0-9 employees. In our country the highest availability is of their micro (0-9 employees). Explanations are related to the fact that their existence and functioning of capital required is much lower and their owners

make special efforts in the form of labor, transport, built spaces, land, etc., Accepting all that because the enterprise is the source of support for their existence. In this small class there the largest number of situations in which there is no question of profit (profit residual), but only an income to support spending.

SMEs in Romania, as well as those from other countries, have important contributions in the economy and investments that they made, and private investments have the most important role. Involving SMEs in the economy induces inevitably participation in the creation of new value, or value added, along with depreciation of fixed capital form the gross value added - the source of its own finance for any company. The share of direct exports of SMEs in total direct exports made to all existing enterprises was 49%, and all size classes and increased contribution to this indicator, but the most spectacular was the evolution of class enterprises with 100-249 employees whose exports have increased by 54% so far above the other two size class whose exports increased by 38% and 43%. Another criterion on enterprise activity is the gross result of the financial year, which places us in terms of the goal of economic profit in a capitalist economy in the reception of the profits that can be reached by deduction of units illustrating opposite phenomena, being positive shows that it is possible.

All these issues together with others to which we have referred shows us that the situation of SMEs in our country is determined under favorable domestic business environment. This requires them directly or indirectly through the way in which the two variables of capital importance move: the application of international and local products of competitors from other countries. If demand for local products will be down and the competition of foreign origin will increase, inevitably difficulties faced by SMEs will increase, and vice versa. The most profitable trend, keeping in mind the entry in the EU is tightening of competition from other countries, and facing such situations and acting for concomitant expansion in domestic demand for local products, SMEs have more opportunities that can be addressed in line: increasing the share of sales to existing customers and retention of their orientation to new market segments, using new techniques and technologies for production, attracting investment in new fields of action, increasing receptivity to clients' problems and demands of their quality or punctuality, increasing accountability to promote products etc.

If we talk about the challenges of entering the EU we say that all these problem should be the subject of intense concern and that we open the prospects closest to the potential existing in Romania, so we benefit from openings offered by the EU.

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