GLOBAL COMPETITION AND ROMANIA'S NATIONAL COMPETITIVE ADVANTAGE

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Abstract: *Analyzing products and services around us it is clear that most of them are the result of production factors, labor and capital becoming more international and increasingly less and less national. We are witnessing the globalization of markets and production, to a large global integration and interdependence, increase personalization of production and services as a result of new communication systems interaction and flexible production processes. Markets will continue to homogenize and diversify at the same time, so it is important that as a global marketer one addresses a market segment defined by income, age, and consumption habits and not by membership of a nation. The most visible and polarized is the premium segment fighting for high income clients where brand value plays an important role. Instead identification of large segments of customers offers the advantages of scale economy in production and marketing for global enterprises. Consumer profile is the dominant global consumer requesting and accepting global products and services easily. In fact, what can force an economic alignment to achieve the best performance, rather than the global consumer. The research methodology used includes literature review, comparative analysis, synthesis of data based on bibliographic resources and official documents.The aim of the paper is to highlight current models that underlie the competitive advantage of nations and assess the competitive advantage of Romania in the context of the global market. A case study is used to offer an overview of competitive advantage of Antibiotice Iasi SA, a competitive player, in a global pharmaceutical market with strong global competition. Countries moderate companies' achievements of global efficiency objectives due to the countries' rivalry. Romania has to understand that it is in competition with other countries in order to fulfill economic, political and social objectives. The scope in the end is the well-being of a country's people.*

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1. Globalization and Global Competition

Global competition is a reality whether we are willing or not to accept it. Globalization and hence global competition is supported by the development strategy of multi-and transnational companies, governments, international organizations and consumers. Goods and services around us are the result of interaction and integration through trade, capital and labor flows, technology becoming more and more international and increasingly less national. We have today economic actors that are global from their appearance given new experiences of communication. We live in the time of digital economy based on relationships, networks and interaction (Gummmerson, 2008). The new realities of the contemporary world resizes international relations and lead to the crystallization of a global economy based on networks (Bari, 2010) by translating the classic foreign trade interdependencies in a system that acquires planetary vocation. Models of multilateral negotiations take gradually instead of bilateral, not only politically but also in the economic (Malița, 2007). Moreover, contemporary economic negotiations call for a much greater extent to ensure success: empathy, creativity and partnership spirit, three distinctive features of relationship marketing (Schebesch, Pop, 2013). From this we can conclude a direct connection between relationship marketing and the globalization. Extending relational marketing approach within strategic alliances (Mâlcomete, 2013) by changing the competitors in associates is perhaps the best example.

Technology is one of the main proponent of globalization, and companies are required to keep pace with new technologies and adapt to new consumer trends required. Depending on activity sector forces of the company that favor "global integration" are: capital-intensive production, homogeneous demand, as opposed to 'national adaptation' generated by local standards and barriers, strong local preferences (Kotler, 2008). We are in a phase of global development cycle that is not turning back and follows steps that strengthen global assertion of economic agents. Globalization on the market of material goods opens perspectives by differentiation through attaching specific services. The best example is that of smart phones and their specific applications. Business growth is ensured by covering new markets or better coverage of existing markets. We are seeing an acceleration of acquisition processes and partnerships among global players who thus have access to markets, technology, work processes and utilize the advantages of experience, economy of scale, resource utilization and overall strategy. Global integration is supported by: free trade agreements, new interaction in communication systems, flexible manufacturing processes, consumer preferences, transport optimization, all based on the latest economic trends worldwide.

Global economic environment changes constantly. Today the new triad in international trade is based on relations between Western Europe, extending eastward, the U.S. with Mexico and Canada and last but not least Japan and Pacific countries, hold 86% of global trade (Pop et al., 2011). The largest share of international exports is owned by intraregional trade, and between European countries is developing the third of world exports.

The study “How Global Brands Compete” (Holt et al., 2004) confirms that the choice of global brands is related to three dimensions: quality signal, global myth and social responsibility. The same study shows that only 13% of consumers prefer to avoid transnational companies and therefore are reluctant to consume global goods and services.

Globalization allows consumers to choose the most demanded products and services that the world has to offer, and companies choosing the best suppliers. In fact, what can force an economic alignment to achieve the best performance, rather than global consumers? How can one keep near a global client if the trader is not ready to understand his expressed and potential needs? What competition may be more beneficial than the global one to amplify internal performance and to stimulate the development of better products and services?

Multinational companies require three kinds of specialist – business managers, country managers, functional managers – and a set of senior executives to nurture the specialists and coordinate their efforts (Bartlett, Ghoshal, 2003). Global business management involves identifying appropriate human structures capable of standardization required by the company to adapt its advantages to important local consumer preferences. The organization of global leaders is flat and simple rather than complex and branched. Simple structures increase the speed and clarity of the information and allow focus of energy and valuable resources on innovation and learning and less on control, monitoring and reporting (Keegan, Green, 2013).

The aspects of the globalization that directly affect international firms include (Bradely, 2005):

- New information and communication technologies that enable the firm to go global – a key role for the Internet
- Communication technology that integrates suppliers into their customers business process and consumers lifestyles
- Information about information that is becoming a key source in the firm
- Growth of non-profit businesses in international markets
- Call for more ethical and social responsibility among international firms
- Emergence of a global culture based on music, clothing and entertainment
- Influence of global branding incorporating services and products

Markets will continue to homogenize and diversify at the same time, so it is important that as a global marketer one addresses a market segment defined by income, age, consumption habits and less through membership of a nation. The most visible and polarized is the premium segment fighting for high income clients where brand value plays an important role. Relevant examples are brands like: Hermes – famous fashion brand, an iconic status among men of a certain income, Mont Blank – luxury watches, writing instruments, jewelry & leather, Hennessy – means know-how, cellar, blending, aging, standards for cognac; Louis Vuitton – world leader in luxury, Prada - one of the most innovative fashion brands, capable of re-defining the norms and setting new trends. Instead identification of large segments of customers offers the advantages of economy of scale in production and marketing for global enterprises. Examples are: IBM – a globally integrated company operating in over 170 countries, being world's largest IT and consulting services company, Apple and Samsung as world's largest information technology companies, Hewlett-Packard the world's largest PC vendor by 2012 unit sales.

Many companies outsource all their manufacturing to become research and development and marketing firms where the brand gives the value of the company, e.g. 3M, Zara, Nike, Levis, Adidas.

Globalization is not a process exclusively attributed to the end of the second millennium. The roots were starting from the first industrial revolution. But what

distinguished by its contemporary form and content can be summed up in (Bari, 2010):

- the extent to which it unfold (the process covered the entire world now);
- support provided by technical progress, based mainly on communication cyberspace, miniaturization and other consequences of revolution generated by information technology;
- pace of change, generating dynamic exponential developments

2. The national competitive advantage

National competitive advantage occurs when a nation creates more value than other competing countries by cost, speed of response, quality and innovation. Competitive advantage of a country is based on native values and connotations which add values and connotations acquired by the nation during the time. National or regional approach in achieving competitive advantage increases the chances of sustained success versus at the individual company approach. Today the nations and corporations must find new and creative ways to organize themselves. The need to be cost-effective, customer-oriented, to deliver the best quality are some of the realities of the present. In a highly competitive environment of today there is a need for flexible structures in an effective and efficient system of relationships. As Henry Mintzberg well noticed to Michael Porter effectiveness lies in strategy, while for Tom Peters what matters is the operational - with excellent execution of any strategy.

Competitive advantage occurs when there is a match between distinct competences of the company and the critical factors for success in an industry. Any superior fit between company skills and customer needs, allows the company to perform above the level of competition. Competitive advantage can be achieved in two ways. First, the company can address a low cost strategy which gives the possibility to offer products at lower prices than the competition. Secondly, the company may adopt product differentiation strategy that allows customers to perceive unique benefits, often accompanied by a premium price.

Ultimately the customer perception decides about the quality of the company's strategy. Performance of the organization, such as sales and profits depend on the psychological value created for clients. Finally, who creates more value than the competition, has competitive advantage and customer perception defines the value (Keegan, Green, 2013). Strength of a nation lies in the definition, construction and development of values that create competitive advantage. Today we are speaking about the concept of country brand that is used as a shortcut by stakeholders in their assessment.

The support of the development of national competitive advantage is given according to Porter to the presence or absence of particular national characteristics and less on the ability of companies to create key competences and competitive advantage. Porter further grouped these national advantages in a diamond made of: factor conditions, demand conditions, related and supporting industries, and firm strategy, structure, and rivalry. Two elements are added to this framework: chance (exogenous influences) and government as a major determinant of national competitive advantage (Porter, 1990). The national diamond is not exogenous to the company. On contrary, companies have to upgrade their home actively by amplifying their home-base advantages and offsetting home-based disadvantage (Van Den Bosch, Van Prooijen, 1992). The influence of national culture on the competitive

advantage of nations is given too little attention in Porter model. Porter's diamond has to be combined with the dimensions of national culture found by Hofstede. After a thorough research project into the influence of national culture within a particular multinational company including 50 countries, Hofstede developed a model that identifies four primary Dimensions to assist in differentiating cultures: Power Distance - PDI, Individualism - IDV, Masculinity - MAS, and Uncertainty Avoidance – UAI. Then added a fifth Dimension after conducting an additional international study with a survey instrument developed with Chinese employees and managers, for that dimension, based on Confucian dynamism, is a long-Term Orientation. Operating across borders demands people who are intercultural savvy so that they can turn international approach into great success.
Some researchers like professor Rugman consider that success of firms based in small economies such as Canada comes from the "diamonds" found in a particular set or combination of home and related countries. Canadian managers have to look to a "double-diamond" and assess the features of both Canada and the US when formulating corporate strategy. Generally speaking it is necessary an approach beyond the nations to the region or to sets of closely linked countries. The same situation is for a country like Romania based in EU space. Howard Davies and Paul Ellis consider in the Journal of Management Studies that nations achieves sustained prosperity without becoming innovation driven and note the absence of strong diamonds in home bases of many global industries.

3. Romania's competitive advantage and globalization

Opportunities appear with global players and besides global players. Romania's economy is subordinated to the global economy and must accept that opportunity derived from the degree of integration in the global economy flows. Our chance is to play successfully in the area of execution partners for global leaders (mostly Europeans) and not as global leaders. After this stage of existence as successful partner for global leaders, we can think that we will see the emergence of global leaders having as basic nation Romania.
Western Europe is the leader in technology and will continue to invest in Eastern Europe and implicitly in Romania. Technology transfer occurs through direct investment in manufacturing but also in research and development. These investments develop clusters and networks (Tantau et al., 2011) that can be considered a catalyst in industrial development and competitive advantage, speeding up the creation of firms and jobs and thereby contributing to growth and prosperity. There is a strong concentration of R&D spending in the world. The first three sectors - pharmaceuticals and biotechnology, technology hardware and equipment, and automobiles and parts - represent 51.7% of total R&D expenditure in the EU. In Romania the first three sectors with the largest investment in R&D are the automotive, chemicals and electrical equipment fields. Romania's economy is characterized by the prevalence of low and medium-technology sectors, with a weak demand for knowledge and an underdeveloped innovation culture. Romania is ranked by European Commission in "Innovation Union Scoreboard 2013 Report" as a modest innovator. More than this Romania has the lowest R&D intensity in the EU and a very low level of business R&D activity. For full picture of poor innovation, the Global Competitiveness Report 2011 classifies Romania as efficiency-driven (together with Bulgaria), all the rest of the EU economies being either in transition

to, or already in the innovation-driven stage. According Porter's diamond for Romania due to the efficiency-driven stage the competitive advantage comes from factor conditions for a nation that is not prosperous and salaries are relatively low in EU space. Even if the crises affect dramatically Romania, in the same time appears the chance to take the advantage of the price oriented consumer attitude. Dacia is one of the most visible examples which are successful competing on cost achieved through wages, scale economies and best practices in manufacturing. Dacia competitive advantage and success of today is sustained by demand conditions and firm strategy, more than basic factor conditions.

4. Case study – SC „Antibiotice" Iaşi SA

To understand the competitive advantage we stopped at the Romanian pharmaceutical sector and more specifically the company named Antibiotice S.A.(ATB). ATB was founded in 1955 and manufactures over 150 medicines, used for the treatment of several diseases (infectious, dermatology, cardiovascular, digestive and musculoskeletal). Listed on Bucharest Stock Exchange since 1997, the main shareholder is the Romanian Government (53%). The turnover rose at compound annual growth rate of 10% during the period 2003 - 2012. During 2012 the turnover rose by 7.9% yoy to RON 297mn, the operating revenue increased by 6.4% yoy to RON 327.5mn, while the operating expenses rose by 4% yoy to RON 292.7mn, due to the evolution of the raw materials expenses (up 17.4% yoy) and of the depreciation & amortisation (up 17.2% yoy). Due to this the operating result increased to RON 34.8mn. From the financial operations ATB had a loss of RON 2.3 mm in 2012. The net profit rose by 33.2% yoy to RON 27.4mn.

Over the past years ATB focused on the internationalization. The volume of exports rose from USD 13.2mn in 2009 to USD 20mn in 2012. ATB is the second important producer of Nystatin at international level, with a global market share of 35%.

ATB issued a press-release announcing that in Dec'12 – Jan'13 the company has passed the fourth FDA mandatory inspection for the drug producers distributing on US market with favorable outcome. At the same time two important drugs distributors in USA have audited the quality of ATB injectable powders flux in order to conclude commercial contracts with the Romanian producer. According to the company's management, the FDA favorable inspection result consolidates ATB's position on US market and facilitates the expansion on new markets such as Australia, Canada, South America and South Africa. Currently ATB

exports on USA the active substance Nystatin and Ampicilin injectable powder in four concentrations. Additionally ATB is expected to initiate the export of Nafcillin in two concentrations on US market during Q1'13. According to the management, ATB exports sales are expected to grow by 17% this year can due to its network of over 100 distributors in 60 countries. ATB is a success story in terms of internationalization of its products in the global market and has a huge potential development that can be harnessed by accessing markets of the American and African continent.

As a conclusion for ATB, we have to change our mindset in approaching the competitive advantage of Romanian pharmaceutical industry, being a believer in our creative intelligence based on the existing culture and tradition in the field generated by schools of I. Cantacuzino, V. Babes, N. Paulescu or A. Aslan.

For ATB is mandatory to have a clear understanding of global trends:

- Research and development is now about networking, sharing and partnership. The open innovation concepts promote collaboration within the industry, government agencies, private organization and academic field with the scope to resolve major medical and public health issues.
- Strategic international alliance grown as importance over the years and become a competitive strategy in global marketing management
- Create strong culture inside of the company which support excellent valorization of specialists of the company
- A better capitalization of the countries permeable to Romanian exports, even if we talk about EU and non-EU countries.
- An aggressive marketing campaign in preparing and supporting the market launch of new pharmaceutical products for which the company wants to be competitive at the international level

5. In conclusion

Romania has the opportunity to be in the European Union, with the exceptional possibilities of future development. The distance between Romania and EU countries is so important, that is enough space for Romanian improvement in terms of competitiveness and productivity. In the EU there are global leaders that in order to maintain or improve the productivity and competitiveness of production areas need flexible, efficient, cost effective space of innovation and development. Romania does not have the handicap of past developments that create resistance and blockage in affirmation of new technologies and processes. Romanian managers have to look to a “double-diamond” and assess the features of both Romania and UE when formulating corporate strategy.

Romania must develop superior interaction network of value-added relationships. Our chance is to create strategic partnerships and alliances with international players to take the advantage of their development. A better understanding of marketing tools and a fact that customer perception decides about the quality of the product and service, can help Romanian companies to improve their performance. But because greed is great, at least to some businesses, the risk of blockage in a highly interdependent global economy is high and hence the role of gendarme of regulatory and supervisory institution should be limited, but active.

For harnessing Romania's competitive advantages are required a change of mindset, a creative approach and an aggressive spirit in a good way in the international competition. We need a proactive attitude in a climate of macroeconomic policies able to support Romanian exports.

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