COMPETITIVENESS AND SUPPORTING THE BUSINESS COMPETITIVENESS

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Abstract: *Competitiveness designates efficiency, productivity, success, adaptability, quality products, optimum costs. Competitiveness is a complex concept which defines the ability of a firm or country to cope with actual or potential competition companies or countries on a particular market, on the world market respectively and it is synonymous with economic efficiency; competitiveness reflects a certain state of the economic activity arising from a certain resource consumption in order to achieve economic goods. Supporting the national competitiveness and flexibility is aimed at a sustained increase in productivity relying on the diversification and the innovation of the domestic industrial base. The Global Competitiveness Report 2011-2012 ranks Romania as the 77th out of 142 assessed economies. Romania has access to a large market and free trade area, which makes it attractive for many foreign companies, but Romania needs a coherent economic policy that changes the approach used today - from the traditionalist design of restructuring following the resources and, therefore, related to the comparative advantage to finding solutions that stimulate the activities based on knowledge and information so that they allow the emphasis of the competitive advantages. This paper aims to identify the factors and reasons that gave rise to the level of competitiveness for some activities or fields of activities from the economy of Romania during the reporting period, as well as the possibilities that would lead to increasing and supporting the competitiveness of the national economy.*

Keywords: *competitiveness; competitive advantage; business opportunity; business environment; Global Competitiveness Report***.**

JEL classification: *M21, O11.*

1. Competitiveness - points of view

Traditionally, the term competitiveness suggests efficiency, productivity, success, adaptability, quality products, optimum cost. Competitiveness is a complex concept which defines the ability of firms or countries to cope with actual or potential competition companies or countries on a particular market or on the world market and it is synonymous with economic efficiency; competitiveness reflects a certain state of economic activity arising from a certain resource consumption to achieve economic goods (*The Economic Dictionary*, 2001). If in a firm competitiveness can be assessed by its profitability, being synonymous with the term competition, in a national economy, competitiveness is assessed by the national labour productivity, labour constituting the main factor of intensive economic growth. The competitive advantage (Porter, 1987) can be obtained by reducing costs (the advantages of the economy of scale can be achieved by means of efficient organization of production and thus reducing costs to produce goods that would offer the possibility of reducing the selling price at least at the level of price competition but with a higher profit margin) or by qualitative differentiation of products (using the factory brand, product differentiation from those of competitors' through quality, focus on narrow segments of the market and thus reducing costs). The level of competitiveness is appreciated taking into account several factors, such as price and quality of products, flexibility and elasticity of supply.

Beyond the meaning of competitiveness expressed in terms of relative efficiency, be it static or dynamic quantifiable based on levels of performance (productivity, increase competitiveness and so on), competitiveness is also a reflection of performance in international trade (measured as performance shares held on export markets or in the form of import penetration) (Hughes, 1993).

For an objective analysis of competitiveness the following are considered: the ability to identify and anticipate or predict the long-term market trends, the will and the ability to obtain, analyze and exploit information provided by the market (strategic nature skills) as well as: the possibility to manage risk, internal cooperation between different functional departments, external cooperation with customers and suppliers, consulting and advisory firms, public bodies, with all firms involved in trade and investment activities (organizational skills).

The World Economic Forum (WEF) and the International Institute for Management Development (IMD) publishes *The Global Competitiveness Yearbook*. According to the Institute for Management and Development, the national competitiveness refers to the actions and policies that describe the ability of a country to achieve the coordination of economic growth and external balance by means of the newly created value in the national economy and also by the prosperity of the population.

The main *factors* influencing competitiveness are:
• production costs and business performance - through product quality, production efficiency, fiscal policy, and especially innovation and productivity;
• availability of labour force, quality of educational outcomes, knowledge and research capital, infrastructure, political stability, rule of law, ease of contract performance and industrial relations.

2. Supporting competitiveness in Romania

Supporting the national competitiveness and flexibility will strive to obtain especially a sustained increase in productivity based on diversification and innovation of the domestic industrial capacity and will be achieved by:

- *competitive environment and business climate*: streinghtening the policy in the field of state aid, reducing the administrative burden on companies, increasing decision transparency and public consultation;

a. *developing the services sector*: by promoting the information and communications society; infrastructure has an important role in national and international competitiveness as they target the traditional infrastructure, information and technology development; • *supporting research*: finding solutions to fund and support beyond market mechanisms for high technology areas;

- *a well-developed financial system integrated globally*: supporting the competitiveness of the national economy;
- *developing the small and medium sized enterprises sector*: increasing the share of this sector in the pattern of ownership of the national economy;
- *ensuring the continuity of privatization policies* by introducing the state ownership on the capital market in accordance with national priorities;

- *increasing the administrative capacity:* assessing the policies with impact on competitiveness, improving the absorption of non-refundable grants;
- *the export growth*: by promoting the support measures for the internal support and external promotion;
- *maintaining a high standard of living*: the integration of the domestic economy in the world economy as workforce training, increasing productivity and overall forming attitudes towards work, contribute substantially to the increase of national competitiveness.

The Global Competitiveness Report 2011-2012 ranks Romania as the 77th out of 142 economies covered with 4.1 points obtained out of 7 possible. Among the 27 EU countries (at the time of the report), Romania is ranked 26th, ahead of only Greece.
The competitiveness of the economy should be viewed in the overall context of global challenges: economic globalization, open markets, rapid technological changes, challenges which must be turned into opportunities for the Romanian economy. The analysis of factors of competitiveness and identification of problems Romania is facing, in order to find optimal solutions for solving them is a necessity for evaluating the economic potential.

Strengths for Romania: *low cost of labour* is an important source of competitive advantage, but it is in progressive decline, causing stimulation of domestic research and innovation as the main direction of action which will bring beneficial results such as reducing imports of technology and equipment, and increasing gross value added products for both the domestic market and for export. The growth of productivity depends on both technology development, accomplished by tangible investments (equipment, new technologies) and intangible assets (licenses, patents, trademarks and know-how) as well as by the increase in product quality, in marketing and in applying research and innovation findings, but also in other sources that bring along the value added growth. *Exports and investment* have been the engines of economic growth lately. Romanian exports based on a proportion of about 98% of the industry, had a positive trend during 2011-2014, but depending largely on low value added products. There has been progress in the export of high value-added products as well, such as industrial equipment (radios, television and communication), machinery and electrical equipment and transport means (especially cars). Regarding imports, the share of high and medium technology is approximately equal to the one of low technology products. This shows that Romania mostly imports technology and it is only slightly produced nationwide, so when it becomes available, the domestic innovation seems difficult to promote and transfer to productive firms.
The orientation of foreign investors towards industry is mainly due to the advantages offered by Romania in this field (low land price compared to other countries in the region, cheap and skilled labour in the industrial filed, manufacturing capabilities, and tradition). Among the most important investment areas recommended are agriculture, IT, trade and services, as well as tourism.
The existence of a stable and predictable business environment represents a decisive factor in the growth of foreign and domestic direct investment. In order to achieve this goal, action plans have been developed to remove administrative barriers for business and their implementation has simplified the legal and administrative procedures for start ups, for the development of competitive business, and for improving the efficiency of authorizing and approving processes.
In Romania, the *research, development and innovation (RDI)* is based on a valuable tradition, currently covering over 50 specific scientific and technological fields and maintaining a relatively stable annual level of activity and results. The research and

development activities continue to take place mostly in the public sector (over 60%). One of the main issues in this area is inadequate funding.
The best results were obtained for *market size*, higher education, technical skills and ability to adopt new technologies to increase productivity, low customs, redundancy costs, high rate of schooling in the university system, the degree of investor protection, the ease of doing business, the number of procedures, i.e. the number of days required to start a business, the degree of penetration of broadband Internet connection, the quality of science education.

Weaknesses for Romania: Romania shows competitiveness disparities when compared to the Western and Central Europe. Improving the access to factors, participation in the European market, supporting investments in optimizing industrial base, respecting the principles of sustainable development is a critical condition to ensure the competitive functioning of the Romanian economy. There are still difficulties due to the limited resources available to them, difficult access to finances, significant technological gap and lack of know-how, that could enable rapid adaptation to the demands of the European market and to changes in the global economy. Moreover, innovative ideas, new products and services, new business models are often tested by start-ups. The high sensitive risk of such firms makes the cost of typical financing through debt be it prohibitive. Doubled by the absence of previous checks on feasibility of the new product / idea, as a producer of cash flow, the access to the equity market is severely limited. Encouraging venture capital is an optimal alternative to support private action, the government intervention being necessary to guarantee under the current development of this segment of the financial market. The solutions in these cases can be provided by a happy combination between the participating of public and private capital.
The worst performers were obtained for the degree of sophistication of business, infrastructure, degree of innovation and quality of institutions. The Romanian economy registered important competitive disadvantages in the following areas: local production, the quality of local production, the development of the cluster supply chain, control distribution, the quality of road infrastructure, quality maritime infrastructure, quality of air transport infrastructure, costs of companies with R & D, collaboration between universities and industry in R & D, procurement of advanced technology products, waste of public funds, public trust in politicians, favouritism in decisions of government, inefficient spending of public funds, effective legal framework to resolve conflicts, transparent government policy. Romania has significant competitive disadvantages also when it comes to labour market rigidities, "brain drain", effects of taxation, agricultural policy costs, balance of the public budget, the supply of financial services, access to financial services, and technology absorption at firm level. Creating a favourable environment for business financing, in competitive financial market conditions, is a qualitative and quantitative progress. Interventions are needed for certain categories of SMEs which are disadvantaged by insufficient experience for obtaining financing and by the performance criteria imposed by financial institutions.
The most problematic factors for the business environment are, in this order: the access to financing, the inadequate supply of infrastructure, the inefficient government bureaucracy, taxation, tax regulations, followed by political instability and corruption.

3. Conclusions

Competitiveness is a chapter that Romania has a lot to catch up both nationally and globally: the productivity of Romanian economy represents 42.5% of the average EU-27 in 2012. Globally, the competitiveness indicator places Romania as the 77th out of a total of 142 countries surveyed in 2012.

Romania did not have a public body specialized in issues of competitiveness, but a multitude of inter-ministerial councils, institutions and disparate strategies, without a strong impact on the economy. The national plans and programs required by the European Union cannot replace a national strategy for competitiveness, thought for the long run. Such a body would be an institutional innovation that could establish a uniform, strategic and focused approach of the Romanian competitiveness, prerequisite for catching performance on the European and global stage of competition.
Romania needs a coherent economic policy that changes the approach used today - from the traditionalist design of restructuring according to resources and, therefore, related to comparative advantage to finding solutions to stimulate the activities based on knowledge and information so that they allow emphasizing the competitive advantages .
The measures for economic policy could be:

- accelerating pre-competitive reforms;
- simplifying and improving the legislative and administrative framework;
- reducing the bureaucracy and tax burden, the non-fiscal, removing administrative barriers;
- supporting small and medium enterprises, according to the rules of the single domestic market without distorting fair competition conditions, the competitive capacity of SMEs and encouraging the domestic capital; improving access of SMEs to financing by external financial support programs and / or budget;
- promoting a fair competitive environment, preventing and limiting the expansion of anticompetitive practices;

a. encouraging the development of a new quality culture by organizing coherent surveillance market, and by quality infrastructure and consumer protection;
b. developing and funding a national program for stimulating entrepreneurship, the implementation of new technologies, innovation as a major source of economic development;
c. stimulating the exports of highly processed products and the access of SME to foreign markets;
d. strengthening the capital market by creating a competitive market in the region by increasing the volume of investment activity, diversification of financial instruments, attracting new market participants, creating a culture of investment in the capital market.

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