

## AN ANALYSIS REGARDING THE DEVELOPMENT POTENTIAL OF THE ROMANIAN BUSINESS ENVIRONMENT AND THE ROLE OF THE COMPETITION COUNCIL

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Submitted: 5<sup>th</sup> August 2019

Revised: 25<sup>th</sup> August 2019

Approved: 13<sup>th</sup> September 2019

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### **Abstract**

*One of the main problems identified by the specialists regarding the insufficient level of economic development of Romania is the weak exploitation of the potential presented by the business environment. A large number of factors contribute to this, as all categories of enterprises are equally subject to these influences. Although there are specialized bodies in the field, which aim to bring a balance in this regard, there are many more issues to be corrected. This article consists of three parts: a theoretical part, which attempts to make a brief summary of the theoretical approaches to the concepts used in the paper, the second part - which consists of a content analysis of the specialized reports, respectively of the data regarding SMEs, while the third part consists of an applied research on a sample of respondents, with the purpose of determining their perception regarding the prospects of exploiting the potential presented by the current Romanian business environment.*

**Keywords:** *business environment, SME, potential, Competition Council, development*

**JEL :** *D40, K20*

### **1. INTRODUCTION**

The Romanian business environment has an un-valued potential for development, which is constantly changing (Tănase, Demyen, 2013). Entrepreneurship initiatives are few in comparison with other European countries, but a large number of factors contribute to this phenomenon, including the lack of willingness to take risks, insufficient support from the state, the fiscal environment which is not at all encouraging. To these are added, from the perspective of the components of the external environment of the organization, the practices of unfair competition identified among the competitors.

Regarding the attributes that an entrepreneur needs to possess, Minica (Minică, 2017) mentions: taking risks, the innovative character, the ability to coordinate, attention to details, adaptability. Therefore, we note that risk taking is one of the basic characteristics, which in the current economic context is not a condition fulfilled by all potential entrepreneurs. On the other hand, the role of organizational values in the progress of an enterprise cannot be ignored (Demyen, Corneanu, 2019).

The literature in the field (Listra, 2015) differentiates between the notions of competition and competitiveness, but it cannot be ignored that both are often used in market analysis. According to theory (Tănase and Tanase, 2013), the

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concept of competitiveness is directly linked to efficiency and progress, expressing “the capacity of firms, economies or regions to remain in the competition taking place internally and internationally and to gain certain economic advantages from it”.

According to Lowe (Lowe, 2008), “all competition policy and enforcement systems consist of essentially two components: the legal instruments (‘rules’) governing both substance, competences and procedure, and the administrative structures and processes through which the legal instruments are implemented”.

## **2. DIAGNOSIS OF THE SME SECTOR IN ROMANIA**

The company represents the center of each theoretical approach regarding SMEs, being regarded as “a group of people organized according to certain legal and economic requirements, who conceive and carry out a complex of activities materialized in products and services, whose main purpose is to obtain a profit” (Nicolescu, 2001).

At European level, each state delimits its own definitions, according to specific criteria, of which the most important and which, at the same time, represent points of connection between the countries are: number of employees and turnover.

Small businesses have become over time real engines of the economy, or, as Peter Drucker put it, “a catalyst for economic growth.”

Without presenting the characteristics of each category of SMEs in Romania, it is important to identify some advantages and disadvantages of them. Thus, managerial theory and practice indicate a significant level of adaptability, but also of the dynamic character of these categories of enterprises. The particularities concern, on the other hand, other factors, which turn into advantages in comparison to their analysis in the case of large companies.

The dynamism of the market also demands a high level of flexibility from the companies, these being permanently subject to change and also to the transfer of know-how. Often, the workforce chooses the employment in an SME, to the detriment of the big companies, because the process of integration is easier and the possibilities of professional fulfillment are more realistic.

SMEs have a much lower level of costs in general than large companies and can apply personnel strategies in a more efficient way, guaranteed by a more intense level of closeness and a smaller hierarchical distance between management and executives.

The impact of SMEs in the community is significant, ensuring a very large percentage of the jobs on the market.

The entrepreneurial culture in Romania is still at the beginning of the road, considering that the communist period has left a significant imprint on the development potential of the business environment. We cannot speak of a long tradition, given that the development of the business environment started to take place only three decades ago.

An analysis of the business environment in Romania is relevant for identifying its development potential, both sectorally and regionally. Between 2008 and 2017, the analysis of the total number of small, medium and large enterprises in Romania indicates a fluctuating evolution. From 554.967 enterprises at the beginning of the analysis period, we observe a decline until 2011, the year that

represents the beginning of a positive evolution, from which their number steadily increases until 2017.

**Table 1** Evolution of the number of enterprises in Romania

Size	Years									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	Number									
<b>Total</b>	554967	541696	491805	452010	472187	485082	507440	513850	527792	553796
<b>0-9 employees</b>	495019	485714	438400	394059	413783	426775	449502	455547	468897	494622
<b>10-49 employees</b>	48131	45791	43805	47737	48215	48287	47890	48005	48373	48777
<b>50-249 employees</b>	9939	8577	8047	8605	8549	8414	8374	8583	8791	8658
<b>Over 250 employees</b>	1878	1614	1553	1609	1640	1606	1674	1715	1731	1739

(Source: [www.insse.ro](http://www.insse.ro), table generated with Tempo Online)

One not at all coincidental finding is that micro-enterprises represent the highest share of the total number of enterprises, while the share of large enterprises is the lowest. If, in the first case, the total number at the end of the analyzed period is almost similar to the one at the beginning of the analyzed period, in the case of small enterprises we observe an increase, which is quite small, while the medium and large enterprises face a decline from this point of view.

Romania is currently facing a period of political and economic instability at the same time, in a situation where the international context is not an encouraging one, while Romania's trade relations with other countries are affected, and the possibility of the United Kingdom of Great Britain leaving the European Union is one with considerable implications for the whole of Europe.

### 3. THE ROLE OF THE COMPETITION COUNCIL IN AN UNSTABLE ENVIRONMENT

The term "competition" is not foreign to any player on the market. The word that best characterizes this aspect is that of rivalry, this one appearing between economic agents with similar purposes.

However, the connotations of the term competition are not necessarily negative. It stimulates the progress, both economically and technically, the main final beneficiary being the consumer or the client.

The implications of an important dimension of competition are reflected by the level of costs, but also by the quality of the products or services offered on the market.

According to the official site, the "Competition Council is an autonomous administrative body aimed at protecting and stimulating competition in order to ensure a normal competitive environment, with a view towards the consumers' interests. Competition Council's role has two major dimensions: a corrective dimension - restoring and maintaining a normal competitive environment and a preventive dimension - monitoring markets and observing the behavior of the

actors participating in such markets” (<http://www.consiliulconcurentei.ro/en/about-us.html>).

The Competition Council, in the hypothesis of authority in the field of competition between companies, must comply with a series of legal provisions, often, the economic agents causing market imbalances, or having behaviors that may disturb the ethical character of the actions. Non-competitive practices can be identified, whereby some companies try to abuse the privileges granted, or gain an advantageous position relative to their rivals.

Determining the concentration level of the market, for which, among other indicators, the Herfindahl - Hirschmann index is used, it becomes important to realize to what extent a small number of companies impose themselves on the market as an authority, having a significant volume from the activity of an economic branch. In this regard, information on turnover and sales level in general is important.

Speaking about the role that the Competition Council has in this context, it is necessary to mention its autonomy as an administrative authority, in the context of a dual role, both corrective and preventive. Therefore, this institution tries to maintain a level of normality of competitiveness, concomitantly with an action of supervision of the main players.

In the field of competition, the Council has numerous powers, including:

- carrying out investigations, respectively notifications;
- performs specialized studies and draws up specific reports;
- make decisions in case the companies violate the Competition Law;
- identifies those cases that fall under the law (for example - monopoly situations).

According to the specialized reports in the field, during the year 2018, a number of 16 investigations were launched in Romania regarding possible violations of the Competition Law. However, this number is down from the previous year's level. The main players who represented the object of these investigations were the cartels, the volume of the fines almost tripling.

### **3. CASE STUDY. DIRECT RESEARCH REGARDING THE ACTIVITY OF THE COMPETITION COUNCIL**

#### **3.1. The premises of the study**

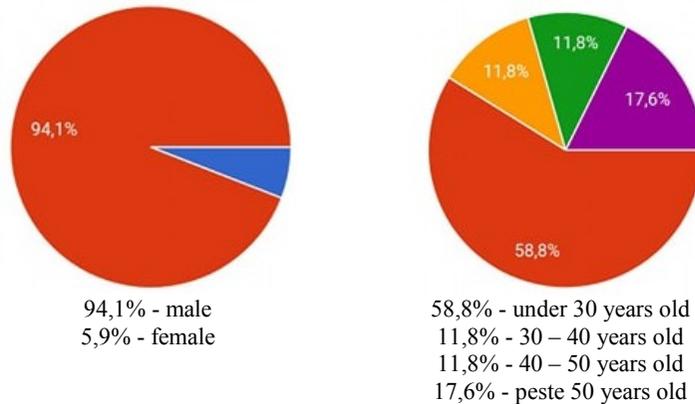
In order to study the activity currently carried out by the Competition Council, as well as the impact that its actions have on the Romanian economy, we conducted a direct research on a sample of SMEs.

The starting point in this regard was the latest activity of the Competition Council. In 2005, it succeeded in reducing for the cement industry the effects produced by the association in a cartel of three manufacturing companies.

Under these conditions, in 2018, the Competition Council carried out similar activities for retail and tourism companies, applying consistent fines, the strategy applied by this institution manifesting influences on both the Romanian business environment and the population.

The research was conducted on the basis of a survey in the form of a questionnaire, between March and May 2019, the questions being administered online, this form of communication presenting numerous advantages, especially regarding the time factor, considering that the respondents were managers of companies, either heads of departments. The total number of respondents was 34.

The administered questionnaire is composed of 9 content questions and 2 identification questions, the structure of the sample that provided answers to the questions being presented below:



**Figure 1** – Structure of the sample by sex and age group  
 (Source: developed by author)

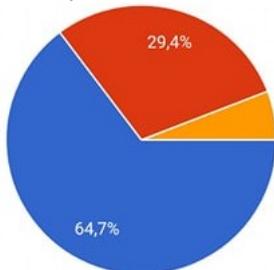
The objectives formulated at the beginning of the study were aimed at:

1. identifying the level of familiarity of the respondents with the control bodies in the field
2. determining the opinion of the respondents regarding the role played by the Competition Council
3. identifying the respondents' opinion on the reasons for the sanctions applied by the Competition Council and the effects generated.

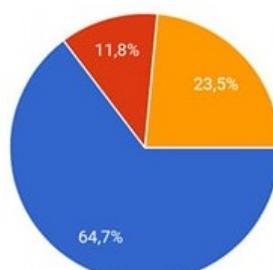
### 3.2. Conclusions of the study

The conclusions obtained from the study can be summarized as follows:

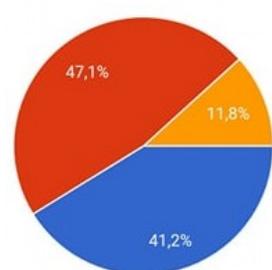
1. All the people who answered the questions in the questionnaire state that they have heard about the activity of the Competition Council, this being a body that coordinates the activity of the companies and maintains the balance in the market.
2. The respondents were asked about the role of the Competition Council from the perspective of the autonomous administrative authority at central level. To this question, 64.7% of the respondents stated that the role of the institution is to restore and maintain a normal competitive environment, 29.4% consider that the purpose is to monitor the markets and to supervise their actors, the rest giving a neutral answer, "I don't know / don't answer".



**Figure 2** – The role of the Competition Council  
 (Source: developed by author)



**Figure 3** – The efficiency level of the Competition Council  
 (Source: developed by author)

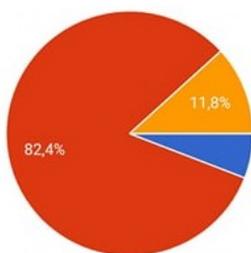


**Figure 4** – Level of knowledge about the reasons for sanctions  
 (Source: developed by author)

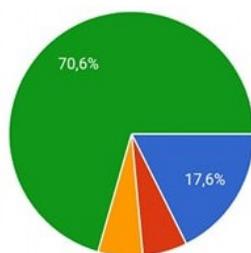
3. Most of the respondents consider the action of the Competition Council as an efficient one (64.7%), in 2018 being imposed considerable fines to the travel agencies and to the retail companies in Romania. On the other hand, 11.8% consider the activity of this body as inefficient, a percentage of 23.5% declaring a neutral attitude. Of the people who answered questions, less than half (41.2%) say that they have knowledge about the reasons why the Competition Council sanctioned certain companies on the market, while 47.1%, a higher percentage, do not have such information, and 11.8% have a neutral attitude.

4. The main reasons for which the companies were sanctioned by the Competition Council were: the modification of the offers (mentioned by 18.8% of the respondents), the change of prices (mentioned by 50% of the respondents), but also the deceiving action of the consumers (31,3%). Most respondents (56.3%) confirm they have learned from the online / Internet environment these sanctions applied to companies, 37.5% from the media, and the rest - from the circle of friends or acquaintances.

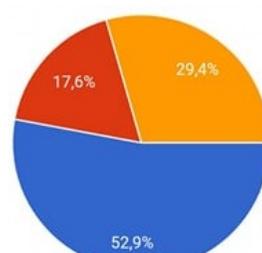
5. The business environment in Romania is considered by most respondents as one with potential for development (82.4%), while 11.8% characterize it as unattractive.



**Figure 5** – Development potential of the business environment  
 (Source: developed by author)



**Figure 3** – Efficiency of fines  
 (Source: developed by author)



**Figure 4** – CC support  
 (Source: developed by author)

6. Asked about the development potential of the business environment in Caraș - Severin county, over 70% of the respondents consider that there is a high potential, not valued properly, while 17.6% characterize it as an extension potential, and the rest, about 12 % categorizes it as restrictive and inappropriate for business development.

7. Most of the respondents (52.9%) consider that the business environment has the support of the Competition Council, while 17.6% give a negative answer, and 29.4% declare that they do not have information in this regard.

8. Most of the respondents (70.6%) consider that the fines applied by the Competition Council of the travel agents and the retail companies in Romania are beneficial for their future activity, contributing to the identification of the weak points and determining the outline of a more coherent strategy in the future. 29.4% of the people surveyed consider that the fines applied have no utility for the future course of an enterprise, and that the fined companies will continue to practice the same irregularities as until then.

The effects produced by these sanctions on the economic agents can be thus a remedy for the deficiencies (effect mentioned by 58.8% of the respondents),

but it is not neglected the percentage of those who consider that these sanctions will not lead to any result.

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