

Models of Success for the Romanian Economic Organizations: New Characteristics of the National Competitive Advantage Mix

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ABSTRACT

In the current period of uncertainty and economic stagnation, the national economies are trying to redefine and identify again the sources of the competitive advantage. The neo-Keynesian models are once more facing the liberal models, the austerity strategies are facing the investment strategies, the partisans of each of these opinions appreciating the opportunity of their own proposal. The results of the study come to align many of the specialists' efforts, to contribute to identifying the optimum way of combining the resources, the mix of measures that can provide the lasting competitive advantage of the national economy, and, finally, to identify the component elements of the "Romanian diamond" of generating success and increasing external attractiveness.

KEYWORDS: *competitive advantage, national economy, private management, direct foreign investments*

JEL CLASSIFICATION: *F63, M21, O11*

INTRODUCTION

Throughout the evolution of the economic history, the malfunctions of the national economies have manifested in different ways. Each economic crisis had its consequences, leaving its mark on the functioning of the national economies in a different manner. There will surely be other crisis manifestations that the national economies will have to face. The future economic crises will certainly be generated by a set of totally different causes and there will equally be some different consequences. The predictability of these phenomena is apparently impossible, as the sources of the economic crises are always different. This aspect confirms the very evolutionary and perfectible characteristic of the models of the world economy.

Many things have been written about the current crisis. Its causes seem certain. On the other hand, there is a sustained polemic on the solutions of reviving the world economy. At this moment the entire economic world is on a continuous search for models and solutions. What will the next economic successful model be? On what grounds will the following golden period of the world economy be built? In what way will the national economies correlate with the new sources of competitive advantage? Which will the most efficient sources of competitive advantage be? All these represent questions which all the economists of the world are focusing on to find the best answer. Until the best model of economic growth is identified and verified in practice, these questions will arise many assumptions.

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The context of the current permanently modifying economic environment, the crisis with its turbulences manifested on the macro-economical level and implicitly on the micro-economical one, the evolution speed of the parameters of the economic environment, the shortening of the duration of the competitive advantage held at a certain moment, the more and more dominant tendencies of the globalization of the national economies, the problems generated by the energetic resources of the world determine the actors of the economic environment to discover and permanently improve solutions, instruments, methods and means to allow their sustainability.

At a micro-economical level “the installed economic crisis leads to the disappearance of some companies, at the same time other companies’ position consolidating. When a crisis period occurs, the organizations must be prepared and able to cope with it, the manner in which the crisis is being managed depending largely on its anticipation in time. Practically, no company or decision will remain “untouched” by the symptoms of the economic slow-down” (Lupu, 2009c). The managers are permanently investing resources, under different forms, in the permanent paradigm of the organization, respectively competitive advantage-surviving of the organization. Each compartment of the organization, each function of the organization, each member, competence and resource of the organization must be, in this battle held in the competitive environment, generating the competitive advantage.

At a macro-economical level the officials are searching for solutions to revive the functioning of the national economies’ branches which are recording losses and, equally, solutions for encouraging the sustained economic growth for the performing branches. Some of the world’s national economies seem to have identified solutions. The rehabilitation of the U.S. economy, even if only partial, represents, together with the economies of the BRICS countries, examples of success. Among the European Union countries, Germany continues its constant economic growth pace. The specific of the solutions adopted by each of these states, taking also into consideration the specific characteristic of the economies in themselves, underlines the lack of a general applicability at world economy level of a certain model.

A specific character is encountered among the former communist countries, recently entered among the member states of the European Union, whose still fragile economies do not identify the most efficient way of allocation of the resources as well as of the resources that may generate a competitive advantage. What is the most appropriate strategy which these countries can and must choose in order to revive the economy? What are the possible sources of competitive advantage for Romania? In what way will the current government of Romania manage to multiply those few examples of success of some firms within the national economy? These are the most important questions this current research proposes itself to underline by offering a few possible variants.

A good deal of answers for these questions may depend on the future evolution of the Romanian national economy, and why not, even the future functioning of the European Union.

1. LITERATURE REVIEW

Economy represents the material support of the social life, the essence and the way the economy functions making possible the presence of society in its fullness. People have always been concerned both theoretically and practically with the economic life and have questioned themselves about the laws that the evolution of the economies is based on. The evolution of the economic thinking trends substantiated people’s answers within the respective periods’ context. Each economic thinking trend contributed to crystallizing the

current concept of competitive advantage. According to the mercantilist theory, the competitive advantage implied the export of goods that may be acquired cheaper abroad, rather than the respective country would produce them. According to the classical theory of the "absolute advantage" (Smith, 1965) "the maxim of any prudent family head is not trying to produce things at home which will cost more producing than buying..." Furthermore it is accepted that not comparing costs in their absolute value is relevant, but comparing them in relative values (Ricardo, 1959). According to Ricardo's theory, it is very important for every country to determine which are those goods that it may produce relatively cheaper and that can provide a favorable position within the competitive context. If "in exchange for the exported merchandise, a quantity of imported merchandise larger than the country may produce itself with the same resource consumption is obtained" (Ricardo, 1959) then a relative advantage is registered for the respective country.

Going further in the evolution of the concepts regarding the competitive advantage, according to the neoclassical theory, the Heckscher-Ohlin model (Leamer, 1995), completed by the contributions of Paul Samuelson (Postelnicu, 1999), points out the fact that two countries which are endowed relatively different with the two traditional production factors (work and capital) will tend to import goods relatively intense in work if the country is relatively abundant in capital and will, therefore, import relatively intense goods in capital if the country is relatively abundant in work.

The theories of the absolute advantage and of the competitive advantage caused many debates regarding the role of the resources and of the specific skills held by each country. Equally, a priority in the researches following this moment has become the problem related to the mix of resources that must be used for obtaining a competitive advantage and the way in which these are combined in order to obtain a lasting national competitive advantage.

Following this evolution and taking into consideration the given context, the theory of the competitive advantage appears at the end of the 80's. This period is also a period of new reconfigurations that generated searching and formulating new models and theories to explain the optimum configuration of the national economies. From that moment on there have been a multitude of attempts to issue the theory of the national competitive advantage in the form of a formula that can bring together all the aspects of socio-economic nature. Thus, the national competitive advantage is seen as a situation of an economy with a high productivity, that generates a high standard of living (Burnete, 1999) or with a combination of economic, social, political factors that contribute to improving the well-being of a country (Lopez-Claros, 2007).

It must also be mentioned the fact that the national competitive advantage represents those "decisive characteristics of a country that allow its firms to create and sustain competitive (rival) advantages in certain sectors" (Cojanu, 1997).

Also, the national competitive advantage appears when the value of exports exceeds that of the imports (Popescu, 2002) or by summing up a mix of factors such as: the evolution of prices of the consumer goods, the unit labor costs, the existence of a high rate of economic growth simultaneously with the successes on a social and environmental level (Aiginger, 1998) and, in an altogether note, might imply the sum of the performances at micro-economical level of an economy (Reiljan & Tamm, 2000).

The competitive advantage of a national economy "must be the fruit of a superior conception concerning competition, which includes market segmentation, product differentiation, technological differences and economies of scale" (Porter, 1985).

The main factors which determine the competitive advantage of a country are: the factor endowment, the characteristics of the domestic demand, the domestic competitive environment, respectively the bonds between the branches (Krugman, 1996) and the specialization must be done in the fields in which the nation is relatively more productive and to import goods for which the country in question is less productive in comparison with the foreign partners. Thus, a growth of the national average productivity occurs (Porter, 1985). To these elements is added, in various moments, the element “chance” embodied by the adopted governmental policies.

As a corollary of all points of view presented, a national economy must maintain itself permanently in the third stage, the one generated by innovation. Worldwide, the internationalization and globalization of the economic problems of the competitive environment, of the production and movement of the capital flow, make the investing activity be the manifestation vector of the economic development. The emerging countries represent a model worthy of interest. These countries, by the adopted measures of stimulating the competitive environment and by an adequate legislation, managed to determine and impose their own competitive advantage and became real attraction objectives for the foreign investment projects. The international studies show that the main factors which originate in the national competitive advantage and which determine the growth of the attractiveness of a country for direct foreign investments are: labor flexibility and depth of the financial sector, quality of the judicial system and quality of the infrastructure. Another opinion completes the previous statement with the specific of Romania’s economy and estimates the fact that the main factors of attraction for direct foreign investments are: the investment climate, the fiscal predictability, infrastructure, market size and economic growth potential (Lazea & Lionăchescu, 2011).

After the decay of the centralized economic regime, on a regional scale, Romania initiates and participates together with the Eastern and Central European countries to programs which have the purpose of creating areas of economic cooperation across borders, different actions of regional cooperation, association and sector support agreements, etc. All these actions were meant to stimulate economic relations between the neighboring countries in order to stimulate the national economy and to bring its level closer to the economies of the European Union member states. For all the central and east European states, the period before the adherence to the EU and the periods following immediately to the adherence, are marked by an instability of the national economies, by an economic decline, by a worrisome shortage of capital and a dangerously small rate of foreign investments. Nowadays society is a much more profound one, having become one of knowledge, freedom and dynamics. The economic situation of the member states of the European Union neighboring Romania is broadly similar to Romania’s situation.

2. RESEARCH METHODOLOGY

In order to achieve the objective of this study, we will analyze the competitive advantage held by few representative organizations in Romania, organizations that recorded favorable results lately and that managed to transfer, by aggregation, national competitive advantage. In doing that we will use the benchmarking and synthesis method among the successful examples of the analyzed organizations, then by using the analogy and deduction method we will try to issue a prediction on the mix of the necessary measures which can eventually provide a lasting competitive advantage to the Romanian economy.

We also considered Porter's opinion according to which the national competitive advantage occurs and develops at the organizations's level, being subsequently taken over at a branch level of the industry and then to the level of the national economy. From this point of view, reasoning underlines the extended role of the competitiveness of the economic agents, the increased competitiveness of each of the economic agents, regarded individually, having to be transferred, by aggregation, to the respective national economy.

Research Questions: What are the sources that generated the competitive advantage of these organizations? Can the evolutions of these organizations be generalized, organizations otherwise representative for the entire Romanian economy? Is there possible to identify a mix of factors that led to the foundation of the evolution of these companies? What are the elements of "Porter's Diamond", of generating economic success, for the economy of Romania?

The real and objective identification of the answer to these questions might change the entire manner of economic thinking and would reduce the efforts made for taking the winding road after which the national economy would reach the level of economic growth.

In order to conduct the analysis of the competitive advantage held and developed by each of these organizations, and implicitly the sources of its obtaining, each organization required a homogenous and systemic approach, without being differentiated depending on the activity or the specific performances these companies generate. Also, for estimating the degree of dynamism of the industries' specialization in order to create a competitive advantage, the evaluations of the organizations' activity have been conducted mainly in the distribution of the income and not in the distribution of the indicators of the apparent competitive advantage.

3. RESULTS AND DISCUSSION

In the 2011 classification of the companies that have considerable income comparing to the GDP of the national economy in the country of residence, first place is occupied by Mittal Arcelor Group with a recorded income in a percentage of 160% from the GDP of Luxembourg. Essar Energy is recording income in a percentage of 132% of Mauritius' GDP. Royal Dutch Shell (Holland), one of the biggest energetic groups in the world, is recording income in a percentage of 56% of Holland's GDP, respectively worth 470.2 bil. USD, the profit being of 30.9 bil. USD. China Mobile, the largest mobile phone operator in the world, is recording an income in a percentage of 34% of Hong Kong's GDP, respectively an income of 81.7 bil.USD, the profit being of 19.5 bil.USD.

In 2011 the most profitable 20 companies in Romania recorded a total net profit of 12.15 billion lei, practically their cumulative profit increasing comparing to 2010 by a percentage of 30%.

Among the most profitable organizations of the national economy, in 2011, there were companies such as: OMV Petrom (recording a net profit of 3,685 billion lei at a turnover of 16.565 billion lei), Termoelectrica (recording a net profit of 1.597 billion lei), Romgaz (recording a net profit of 1.031 billion lei at a turnover of 4.211 billion lei), Orange România (recording a net profit of 0.805 billion lei at a turnover of 3.981 billion lei), BRD-GSG (recording a net profit of 0.465 billion lei at a turnover of 21.534 billion lei),

Vodafone România (recording a net profit of 0.425 billion lei at a turnover of 3.399 billion lei), Transgaz (recording a net profit of 0.379 billion lei at a turnover of 1.343 billion lei), Azomureş (recording a net profit of 0.365 billion lei at a turnover of 1.625 billion lei), Raiffeisen Bank (recording a net profit of 0.320 billion lei at a turnover of 6.1 billion lei).

The first three companies classified depending on the annual profit operate in the energetic field. Also, this sector of the national economy is recording the highest level of growth comparing to the previous year, in the field of energetic industry achieving an efficiency of the activity at an incredibly fast rate.

Equally, among the companies that are recording outstanding performances there are companies that have also based their activity on other branches of the national economy with different specifics. From this point of view a benchmarking analysis has been conducted on some of these companies and on the manner in which they identified their sources of competitive advantage, exploited the competitive advantage within the competitive environment, so that finally coming to obtain the largest profits in the entire national economy. The selected companies have also been analyzed by means of the economic and financial diagnostic method, an instrument "which allows to formulate some qualitative and quantitative judgements, regarding the condition, dynamic and perspectives of an organization" (Lupu, 2009a).

Running its activity in the energetic industry sector, OMV Petrom is the most important company in Romania, representing the only oil manufacturer providing more than half of the natural gas production of the country.

Starting with 2007 the company had an oscillating evolution of the economic results, recording in 2007 a net profit of 1.778 billion lei, followed by two years of successive decreases of the net profit, and then starting with 2010 the net profit of the company increased successively. Thus, in 2010 it obtains a net result of 1.799 billion lei (increasing the turnover by 8.7%, comparing to 2009), in 2011 3.6 billion lei, and in 2012 records a historic high of 3.9 billion lei.

Table 1. Evolution of the turnover and of the net profit

Companies	Indicators	Currencies	2007	2008	2009	2010	2011	2012
OMV PETROM	Turnover	billion euro	3.402	4.203	3.037	3.256	3.834	5.892
	Net Profit	billion euro	0.492	0.256	0.323	0.419	0.853	0.885
ORANGE România	Turnover	billion euro	1.12	1.18	1.046	0.971	0.921	0.926
	Net Profit	billion euro	0.337	0.404	0.271	0.217	0.186	0.205
Interagro	Turnover	billion euro	0.429	0.538	0.312	0.4	0.648	*
	Net Profit	billion euro	0.008	0.016	0.013	0.021	0.038	*
Banca Transilvania	Turnover	billion euro	3.844	4.157	4.63	5.044	5.962	*
	Net Profit	billion euro	0.102	0.108	0.015	0.023	0.034	*
Dedeman	Turnover	billion euro	0.185	0.251	0.252	0.369	0.476	*
	Net Profit	billion euro	0.02	0.021	0.022	0.036	0.049	*

Source: Related annual reports

Another company that is recording outstanding results is Orange Romania, the most important operator on the mobile phone market in Romania, relating to the company's turnover, the recorded net profit and the evolution of the number of subscribers. In 2012 Orange Romania recorded a turnover of 926 million euros, having a slight increase of the turnover comparing to 2011.

This very small increase of the turnover is justified by the impact suffered due to the regulations concerning the interconnection tariffs, but overall, the company is recording a growth of the net profit by 10% in 2012 comparing to the previous year.

At a first analysis of the economic indicators of Orange Romania, one may estimate the fact that the evolution of this organization is less promising comparing to the results of other organizations. Noting, however, that the communications market decreased with 3,5 billion euros in 2011, being followed by a decreasing trend of 3-5% comparing to 2010, one will estimate the organization's results more than outstanding. This performance becomes much more outstanding given the existence of a remarkable competition in the field and of the threats generated by a totally inadequate external environment to the communications industry. If we also add to these circumstances the fact that Orange Romania was recording by the end of 2012 approximately 40 000 more customers than during the third quarter of 2012, then the performance is earning its afferent valencies.

In order to complete the representation of the provided examples, we will underline an organization that operates in agriculture, tourism and chemical industry. Interagro is one of the largest private organizations with Romanian capital that recorded significant evolutions lately. Interagro ended 2011 with a turnover of 648 mil. Euros, with an increase by 1.6 times comparing to 2010 and a net profit of 38.4 million euros, with approximately 18 million euros more than 2010.

The exceptional results of the organization, taking into account the sector in which they operate, are not at all random. Interagro has been, for the year 2012, the largest exporting company with exclusively domestic capital. Equally, Interagro is the largest agricultural cultivator in Romania and owns the largest network of ensilage spaces of the agricultural production in the country.

Among the financial institutions in Romania, we chose the analysis of Transilvania Bank, the largest domestic banking institution with private capital. With a capitalization of 2.26 billion lei (502 bil. euros), representing approximately 85% of the value of its own capital at the end of the month of September 2011, Transilvania Bank is in full competition with CEC Bank to occupy the third position on the Romanian credit market.

Without lowering the annual turnover, due to the sudden decrease of the recorded profits once the global financial events occurred in 2008, the organization's management identified the sources and the methods to obtain the competitive advantage necessary for the profit growth with more than 100% in 2012 comparing to 2010.

The evolution of the economic indicators of Transilvania Bank follows the overall trend of the evolution of the Romanian financial sector and equally of the European one.

In order to outline the representation of the analysis we will highlight the financial results in recent years of a company which became a leader in the field of the Romanian retail. Dedeman group of firms is a leader on the Romanian hardware market, its 2012 turnover 2012 being higher than the sum of the following competitors (Bricostore, Praktiker and BauMax).

The company's financial indicators recorded a slightly increasing evolution by the end of 2009, which denotes a prudent management attitude during the economic boom period. From this moment on, the company is consolidating its position as a market leader. Thus, the turnover of the company increased by 29% comparing to 2010, respectively from a turnover of 369 mil. Euros in 2010, to a turnover of 476mil. euros in 2011. The net profit of the company increases by 35% in 2011 comparing to 2010, recording in 2010, as well as in 2011, a net profitability of approximately 10% of the turnover.

Regarding the generalized analysis on the examples of the organizations that are representative for the industries of the Romanian economy, the most important aspect that emerges is the fact that the great majority of the analyzed organizations benefit of private management. The organization's private management can generate competitive advantage. It is not the most important source to generate competitive advantage but, by implementing the know-how and by generating innovation, it represents an essential condition which allows obtaining the competitive advantage. There is a category of studies (Bloch & Tang, 2007; Van Biesebroeck, 2005) where the emphasis is on *the effects of acquiring new knowledge (learning effects theory)* which are found in the case if the organizations that have private capital. The argument consists in the fact that the relations with the external markets make possible, on the one hand, the access to technology and management strategies but, on the other hand, to a certain feed-back from the buyer to the products and services of the companies, "the perception of the customers regarding the services rendered being able to lead to the failure or success of an organization" (Lupu, 2009b).

The private management of each of the analyzed companies generated the implementing of their own and performing know-how in the respective organizations.

Another common characteristic of all the highlighted companies, characteristic that generates competitive advantage, is represented by the favorable environmental transformation of the possibility of using a cheap local workforce and, perhaps the most important aspect, a very well prepared workforce. Introducing a performing know-how to an organization that owns a well trained human resource from a professional point of view and that owns capabilities which allow the improvement of the entire culture of the organization, generates superior competitiveness and outstanding organizational synergies. Equally, the mix of private management, performing know-how, superior and cheap human skills, in conjunction with the possibility to use accesible raw material, generates a high potential of the export output, an export which will become very quickly competitive and demanded on the external markets.

In addition to the mix of the generating factors of the observed competitive advantage in the highlighted examples, one must also take into consideration another common characteristic of the highlighted organizations, respectively the refurbishment. The management of each of the highlighted organizations, besides the implemented performing know-how, has adopted extensive programs of refurbishment at the entire activity level. This measure of

improvement of the used technology in the production process has generated, for each of the highlighted organizations, a superior efficiency of the activity, situation which finally led to the outstanding productivity of the primary and secondary activities, the level of the productivity being extremely important when talking about the market rate and the level of competitiveness.

Another element which generates competitive advantage for the highlighted organizations in this study which are significant for the national economy, is certainly the low competitive level of the industry. At a first evaluation, the statement above would be a paradox. In reality, the fact that we are recording a low competitive level, a reduced power of negotiation of the buyers and, equally, of the providers, the fact that there are records of reduced barriers for the entry of the new competitors in certain sectors of industry, sustains, in accordance with the model of the "five forces of analysis of the external environment" suggested by Porter, the fact that all the elements recognized to an attractive economy are encountered for operating direct foreign investments.

The elements noted and sustained by "the model of the five forces" determines the intrinsic attractiveness of a market or of a market segment, from the point of view of the possibility to obtain profit on a long term. The existence and functioning in Romania of some of the largest operators specialized in the specific fields of activity signals the fact that Romania's economy is of interest for the foreign investments. The high level of competition in the countries of origin, determines the powerful organizations to identify new markets and to equally identify possibilities of outsourcing or relocation of the activities. The fact that, at this moment, Romania's national economy has a reduced level of development comparing to many of the economies of the countries in the European Union is in superior competitive advantage in terms of the attractiveness for the direct foreign investments. The moment the Romanian economy is reacting to the influences, otherwise normal and inevitable, of the future European economic launch, it will start recording macro-economical parameters that convey the signs of a sustained economic growth. The Romanian economy may become one of the most attractive European economy for the external investors, with a size proportional to the current size of the development gap between the national economy and the development average of the European Union economy.

CONCLUSIONS

Analizing the organizations that are representative for the industries of the Romanian economy the most important aspect that emerges is the fact that the majority of the analyzed organizations have private management that can generate competitive advantage.

Another common characteristics of all the highlighted companies, characteristics that generate competitive advantage, are represented by the possibility of using a cheap local and very well prepared workforce, the implementation of a performance know-how, adoption of extensive programs of refurbishment at the entire activity level.

The fact that some of the highlighted companies record the highest rates of increase in Romania comparing to the increase rates of the parent companies in the countries of residence, confirms the potential that the Romanian economy has.

The results may lead to the conclusion that Romania is not just an economy that exports intensive goods in cheap workforce, but is also recording competitive advantages for intensive products in capital and technology.

The elements of the national competitive advantage, identified at this level, confirm and sustain the "Porter's diamond" theory of factors generating the economic success. The private management identified as a common element to the highlighted organizations, the existence of cheap and well prepared resources (in the case of the human resource), the performance know-how implemented in the organizations, the refurbishment seen also as innovation in the field and the low level of competition in the field, seem to be the component elements of the "Romanian diamond" of generating success, of increasing the national competitive advantage and of growing external attractiveness.

This analysis is carried only at the level of some organizations representative for the Romanian economy. Taking into account the fact that the competitive advantage of a national economy must represent the fruit of a superior conception regarding competition, which includes market segmentation, product differentiation, technological differences and economies of scale, the analysis must also be confirmed at the level of the clusters in the economy. From this point of view it must be highlighted that all the industries in which the national economy recorded success within the international competition, respectively industries of the primary inputs, are industries with a helping role and industries which offer products for final consumption. Assuming that, when analyzing the performance clusters in the national economy, the elements identified as a source of competitive advantage will coincide with the ones identified for the representative organizations proposed by this study, we will observe that this model of competitive advantage for Romania is confirmed.

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