

Androniceanu, Armenia; Drăgulănescu, Irina-Virginia

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SUSTAINABILITY OF THE ORGANIZATIONAL CHANGES IN THE CONTEXT OF GLOBAL ECONOMIC CRISIS

Armenia Androniceanu^{1*} and Irina-Virginia Drăgulănescu²

¹⁾ Academy of Economic Studies, Bucharest, Romania

²⁾ Messina University, Messina, Italy

Abstract

In recent years, as a result of the hastening economic crisis, the Romanian business environment has known important changes. This paper presents and analyzes the changes caused by globalization in small and medium enterprises that exports goods and services from Bucharest. The purpose of the research was to discover the impact of global crisis upon the concerned group of enterprises and the organizational changes implemented by them. Through the research we succeeded to identify the main problems that occurred in the target group enterprises in the context of global economic crisis and what caused the reduction in their developing rhythm. Another part of the paper contains an analysis of the managers perceptions regarding the governmental anti-crisis measures and strategic and tactical changes initiated by them as a natural need to adapt to the particularities of the internal and international business environment. The final part includes the conclusions of the research and a sum of recommendations for efficient management of organizational changes in target group enterprises, with the possibility of generalizing them to all Romanian small and medium enterprises.

Keywords: organizational change, sustainability, globalization, global crisis

JEL classification: E32; L21; M2

Introduction

The current context, strongly marked by the global crisis, determines the organizations to initiate radical changes in their strategies. These should be sustained by proper governmental policies and coherent measures, to support enterprises to adapt and succeed to maintain their competitive advantages (Dinu, 2010). In the last two decades, empirical researches show that, frequently, Romanian managers have problems in understanding the global context. Furthermore, the enterprises managed by them, have difficulties in adapting to the newest demands (Burduş, 2008; Ducker, 1999; Androniceanu, 1998). In the last few years we saw many situations in which, the produced goods and the established prices are less competitive, the reason why the enterprises are eliminated from the market (Burlacu,

* Corresponding author, **Armenia Androniceanu** – armenia.androniceanu@man.ase.ro

Jiroveanu, 2009). In other situations, small medium enterprises managers, of companies which develop export activities, choose to cooperate with larger organizations in order to gain access to their strong regional and international commercial networks. Similar problems have the large Romanian enterprises. Once the market conditions have changed radically, these companies were no longer able to retool and modernize themselves properly (Dobrescu, 2009). For many of these enterprises, reorganization was no longer a feasible option, and in several cases, led to the segmentation of technological flows and to a decline in the competitiveness of their goods and services.

1. The impact of global crisis on the Romanian business environment

Several years after the beginning of the crisis, the Romanian society started to feel its weight, and some important economic, political, social and administrative changes started taking place. Although our country has by comparison with the other Eastern European countries some important advantages such as: highly qualified and low-waged labour force (Androniceanu, 2011; Popescu, Corboş, 2009), the impact of the economic crisis upon the economic and social environment has been strong enough.

In recent years foreign investments started having a bigger importance in the Romania's economic upswing, as a way to minimize the effects of the global crisis. Nevertheless, foreign investments in Romania have diminished a lot in the first years of crisis. With the beginning of the second half of 2011 we can observe a slightly small upswing, which, as statistical data shows, continues in the first trimester of 2012. The analyses made by specialists demonstrate that, although the Romanian business environment waits for an important foreign capital infusion, in reality we can observe that our country's fiscal and financial policies are not attractive enough to determine a rise in the amount of foreign investments (Miron, Dima, 2009).

Another important aspect, often mentioned by the representatives of foreign investors in Romania is the political instability. This generates both discontinuity and insufficient consistency in economic policies and frequent changes in fiscal policies and in business environment's particular legislation. This way the investors cannot have continuity in implementing their own business plans.

The global crisis determined the Romanian enterprises management to make some major changes in the way they handle their businesses. The enterprises are frequently constrained to concentrate, firstly, on knowing the market and the customer's requests (Olaru, Dinu, 2011) and, only secondly, on the production process. Important changes are made in the decision-making process too, because managers take tactical and strategic decisions which integrate a diversity of variables: economic, cultural, social, environmental protection. (Dinu, 2011)

The crisis context has imposed a change to Romanian enterprise managers, mainly in business strategies and in their management style, in an environment marked by numerous challenges and a variety of risks (Pugna, Albescu, Băbeanu, 2009). A part of them succeeded to adapt and to develop their businesses both in Romania and abroad. Others continue to be preoccupied by valorizing some opportunities to cooperate with large multinational companies, which already have businesses in Romania and want to expand or with large companies which plan to enter the Romanian market (Ciocoiu, 2011; Ene, 2005).

The term "global change" was firstly used in 1944, as it is mentioned in New York Times' pages. Starting with 1961 the term can be found in a Webster dictionary. Two decades later, the economists used this term to describe contemporary evolutions. Professor Thomas Levitt had an important role in the integration of this term in economic analyses, by publishing in 1983, the article "Globalization of Markets". He explained the content of this term by technological and behavioral changes, which allow multinational companies as Coca Cola or McDonald's to merchandise the same type of products all over the world.

The globalization facilitated the spread of the crisis effects, beyond national borders, where the states exert their right to govern.

The globalization determines a succession of changes, which despite of the fact that take place in one part of the globe, generates chain positive and negative effects, in other parts of the globe.

In the opinion of Joseph E. Stiglitz, winner of the Nobel Prize in economics, "globalization determines the acceleration of international circulation of ideas and information, common cultural actions and stimulates the creation and development of a global civil society. The biggest hope about globalization is that it will help the growth of the global standard of living." (Stiglitz, 2008)

For Giddens Anthony, globalization is "a phenomena characterized by fundamental changes in the global economy, a revolution of communications and trading, information and currency which takes place between nation states." (Giddens, 2004)

Another opinion regarding globalization has Leslie Sklair. He thinks that "globalization should be seen as a new face of capitalism, which transcends the unity of the nation state". (Sklair, 2002)

A vaster approach over the content of globalization has been proposed by American specialists Held and McGrew. They think that globalization is "an aggregate of processes, which represents a transformation in the spatial organization of social relations and transactions, which generates transcontinental and interregional activity flows, interaction and power". (Held, McGrew, 2003). From their point of view, the globalization process includes four types of change:

- The expansion of social, political and economic activities across borders, regions and continents
- The acceleration of cooperation in economic, commercial activities, in the field of investments, and other fields as: financial, migration, culture, etc.
- The acceleration of global interactions and processes with impact over the development of transportation and telecommunication systems, which increased the speed in circulation of information, ideas, goods and capital;
- The expansion and diversification of activities, the intensification of interdependence and the acceleration of human and organizational interactions. Today, the effects of some events that take place in one part of the planet generate changes with great impact in some other part, sometimes it might happen that particular local events to have considerable global consequences.

In context of intensification of the global crisis, Romanian small and medium enterprises need a substantial support, both from the associative structures of the business environment and from national institutions (Androniceanu, 2011; Ciocoiu, 2011; Colesca, 2005). The entrepreneurial spirit has to be encouraged, and small entrepreneurs have to be supported with necessary financial resources and with attractive fiscal policies. The globalization has intensified competitiveness on all possible markets. This is why, presently, not only companies are competitors, but also nations and regions, through their capacity of providing goods and services (Abăluță, 2006; Hâncu, 2011).

Starting from these general considerations, we realized a research in which we discovered the changes determined by globalization over a group of small and medium enterprises from Bucharest, specialized in external trade activities. The results of specialists' research (Miron, Dima, 2009) confirm the fact that the most dynamic component of the Romanian business environment are the small and medium enterprises and they had a quite interesting evolution, since the beginning of the recession. The study of the changes that take place in small and medium enterprises with external trade activity, is an interesting challenge for research field in Romania and helps us to know and to understand better why the global crisis affected us strongly in recent years, how did others succeed to redress themselves and to look with trust and optimism towards the future.

2. Research methodology and the main results

The period of the research process was 1-30 September, 2011 and consisted in four main steps: 1) research preparation; 2) data collection with particular research instruments; 3) the analysis and systematization of the results; 4) developing conclusions. An additional step, for adding details and completing the data base required in clarifying some of the studied aspects, was realized in March 2012.

2.1. The purpose, the objectives and research hypotheses

The purpose of this research is to know the impact of the global crisis on small and medium enterprises from Bucharest, which are specialized in the export of goods and services.

The specific objectives of the research are:

- knowing the organizational changes;
- identifying the causes and the effects of some problems that the enterprises and their managers face since the beginning of the global crisis;
- knowing the opinion of the business people from the target group regarding the anti-crisis measures initiated by the Romanian Government and their effects;
- identifying the perception of general managers regarding the future.

The research hypotheses are:

- As a result of the globalization of economic crisis, in the target group enterprises took place numerous and different changes;

- The anti-crisis governmental measures had determined the management of the targeted enterprises to initiate tactical and strategic changes.
- The development perspectives of the target group enterprises and, in a larger sense, of the Romanian small and medium enterprises, are not clear.

2.2. Choosing the sample group

The sample group is formed by small and medium enterprises with legal personality, headquarters in Bucharest, specialized in exporting goods and services. Their activity fields are:

- information and communication technology;
- fabric and soft goods;
- machines and electrical gears.

According to the data base of Romanian National Council of Private Small and Medium Enterprises, only 20% of the total number of small and medium enterprises from our country, are exporting. The National Statistic Institute has communicated that, in 2011, Romanian exports had an amount of 41.74 billions of Euros, with an increase of 22.5% from 2010.

For identifying the small and medium enterprises with export activities from Bucharest, we have used Infocompanies Software platform, and for establishing the size of the sample group, we have used the following formula:

$$n = \frac{NZ^2 * 0.25}{[d^2 * (N-1)] + (Z^2 * 0.25)} \quad (1)$$

Where:

n – The size of the sample group;

N – The total number of population;

d - The precision level (in this case is 3%, percent established through reference to the total number of population from which the sample group has been chosen)

Z – 1.96 corresponding to the trust level of 95%

$$n = \frac{26 * 1.96^2 * 0.25}{[0.03^2 * (26-1)] + (1.96^2 * 0.25)} = \frac{24.9704}{0.0225 + 0.9604} = \frac{24.9704}{0.9829} = 25.4 \quad (2)$$

As it can be noticed, the sample group has 26 enterprises distributed after their activity field in the table below. (Table no. 1)

Table no. 1: The number of enterprises according to their activity field

Nr.	Activity field	Number
1.	IT&C	7
2.	Soft goods	12
3.	Machines and electrical gears	7
4.	TOTAL	26

Source: www.infocompanie.com

A synthetic presentation of the enterprises, after the number of employees and after the fields in which they activate, is made in the next figure (Figure no. 1).

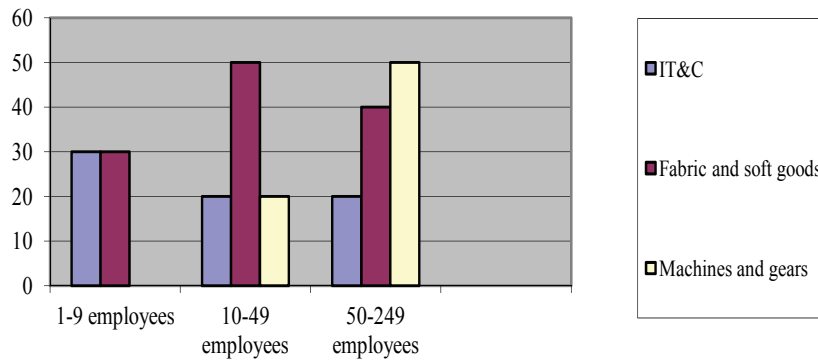


Figure no. 1: The structure of the sample group

In the next table, the small and medium enterprises with export activity have been grouped according to their last two years turnover (Table no. 2).

Table no. 2: The distribution of the enterprises after their turnover

Nr.	Turnover interval (lei)	Frequency	Weight
1.	under 100.000	1	3.8
2.	100.001-1.000.000	4	19.2
3.	1.000.001-10.000.000	14	73.1
4.	over 10.000.000	7	3,9
	Total	26	100.0

As it can be noticed from the figure and tables above, for choosing the sample group, we have selected small and medium enterprises with different personnel number and different turnover values. This option helps us to identify the impact differences which have been generated by the global crisis upon the enterprises and how these problems were handled, in time.

2.3. The target group

The target group is composed by the 26 general managers of the small and medium enterprises from the sample group. All of them answered to the questionnaire and agreed to have special meetings for the semi structured interviews.

2.4. Research instrument

For realizing the objectives of the research we have used the following research instruments: the questionnaire, documents analysis and the semi structured interview.

The questionnaire contains 18 questions, viewed as enough to obtain the data required for analysis and it was filled in through telephone conversations. In question formulation from the questionnaire and from the interview, we considered the purpose of the research and the specific research objectives.

The semi structured interview helped us, both in the first part of the research process in collecting the data for the analysis and for the additional step, to developing the data base required for understanding some detail aspects connected by internal organizational changes and on the external markets that appeared during the research period. Initially, the semi structured interview had 5 questions, but in the additional step, we added 3 more questions.

The documents analysis, as a research instrument, has been used in the first part of the research process. This helped both for better knowing the general context and to a better understanding of organizational changes and difficulties which small and medium enterprises had to handle, since the beginning of the global economic crisis. The documents we have studied are the following:

- the Romanian national export strategy for 2011-2015;
- the Romanian portal of external trade;
- the reports and studies from the Economy, Trade and Business Environment Ministry's site;
- forecasts for 2011 and 2012 from National Commission of Prognosis;
- statistic data for 2008-2011 from National Institute of Statistics;
- the information from central data bases of Public Finance Ministry regarding public institutions and legal entities tax payers' records, the mandatory fiscal declarations, the balance sheets from 2008-2011 of enterprises and operative records of overdue obligations towards the state budget.

2.5. The presentation and the analysis of the main results of the research

Research results show that more than half of the general managers of the investigated enterprises thought that globalization generated more negative effect changes than positive effect changes for their businesses.

As it can be noticed from the figure below, the enterprises with 1 to 5 employees experienced the greatest impact of the global crisis, first of all because of the meaningful reduction of goods and services' demand on external market (figure no. 2). Their managers have decided to reduce production and to keep a minimum number of employees.

Research results show that, the middle category of enterprises, those with maximum 49 employees, had a different evolution. Those continued to be active, both because they had secured medium and long term contracts, and because they succeeded to be flexible enough in their commercial and production policies.

The global crisis influenced less the enterprises with more than 50 employees, mainly because those cooperate for many years with large multinational enterprises, known on

international markets, to which they provide goods and services in unique and small series to be assembled in production departments in different parts of the globe.

Another explanation communicated by these enterprises managers was that their prices are accessible on the external market, by comparison with other similar enterprises. The global crisis determined very small enterprises specialized in export activities to modify their production strategies and sales policies. These changes led to a small upswing of the small and medium enterprises in the second half of 2011 and the beginning of 2012.

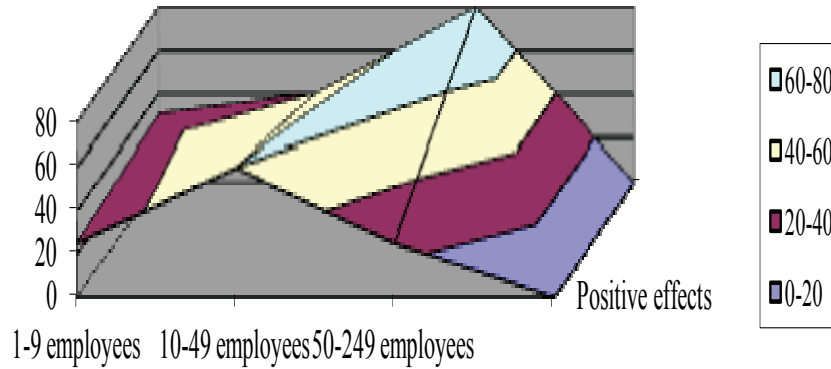


Figure no. 2: The effects of the changes generated by the global crisis

The impact of the crisis on the turnover of small and medium enterprises from the sample group was slightly different as intensity, as it can be noticed in the chart below (Figure no. 3).

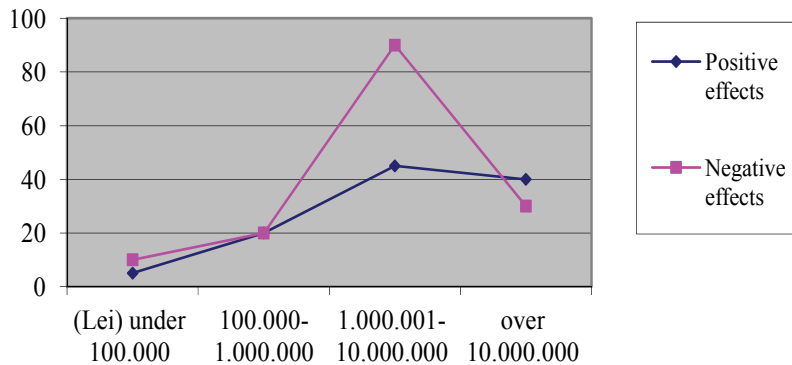


Figure no. 3: The effects of the change of business environment on turnover

The enterprises with a turnover between 1.000.001 lei and 10.000.000 lei were the most harmed by the global crisis, mainly because they could not fully respect their contracts. These enterprises had to endure all the fluctuations and currency differences on international market. In these conditions, managers explained that they had to make changes in price policies, meaning that they had to reduce goods and services prices in

order to attract new clients. The delays in collecting the money from their goods and services on external markets generated liquidity problems to the enterprises. In this kind of difficult situations, managers said that they took loans and attracted new financial resources for production, investments and marketing through European funding projects.

The research demonstrates that in enterprises with turnover higher than 10.000.000 lei, the global crisis have not had that much of an impact. General managers explained that this situation was the exclusive result of strategic and tactical measures implemented whenever the enterprises needed some kind of changes. Some examples of manager's success initiatives for minimizing the global crisis impact are the following:

- taking development compensated loans with preferential state subsidized interest rate through EximBank;
- reaching for specialized consulting firms, both in financial-fiscal and in the international promotion field;
- elaborating and implementing new training projects, investments and international marketing through European funding projects for small and medium enterprises;
- participating to a large number of international events, such as exhibitions with goods and services packs.

The research results show that most of the managers believe that market liberalization and the amplification of commerce, investments and commercial flows, are the main advantages of globalization. Enterprises managers from fabric industry mentioned that market liberalization and commerce development are the most important advantages of globalization. A similar perception is the perception of the ones who activate in external trade activities with machines and electric gears. Enterprise managers from IT&C industry believe that globalization stimulated the development of informational products and technologies and their large scale distribution. They underlined this aspect as an important globalization generated advantage. In the chart below it can be noticed the comparative presentation of the research results, which describes the perception of the managers regarding the impact of globalization on their enterprises (Figure no. 4).

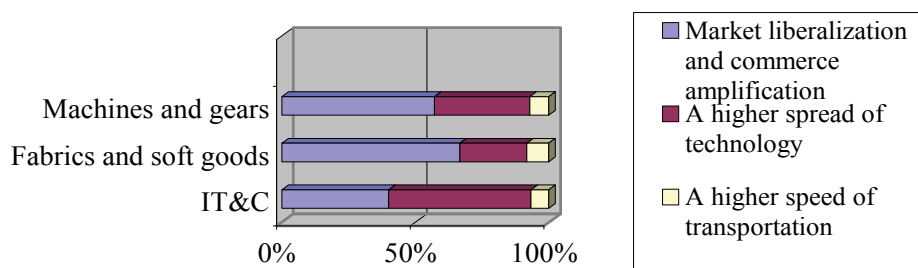


Figure no. 4: The perception regarding globalization impact on enterprises

According to the research results, 65.4% of the managers believe that the multiplication of financial and economic crises is the main disadvantage of globalization. In the table below we can notice that, from their point of view, there are others disadvantages caused by the global crisis, as: the deterioration in revenue distribution, the diminished nation-state role and international competition (Table no. 3).

Table nr. 3: The disadvantages generated by global changes

Nr.	Main disadvantages	Frequency	Weight
1.	The deterioration in revenue distribution	6	23.1
2.	The diminished nation-state role	2	7.7
3.	The multiplication of financial and economic crises	17	65.4
4.	International competition	1	3.8
	Total	26	100.0

In terms of globalization effects over small and medium enterprises, all general managers agree that globalization process influences the enterprises activity, but their opinions are different when it comes to measuring the intensity of the impact. Almost 50% of the managers said that globalization affects their activity very much, while 42.3% believe that this process affects their activity pretty much.

The research shows that all general managers declared that the changes determined by the global crisis had an impact over the sustainability of the enterprises lead by them. The international environment transformations determined the managers involved in our research to initiate many organizational changes. The chart below shows the intensity of organizational changes implemented by the target group enterprises for minimizing the negative impact of the global crisis and for valorizing the major advantages of globalization (Figure no. 5).

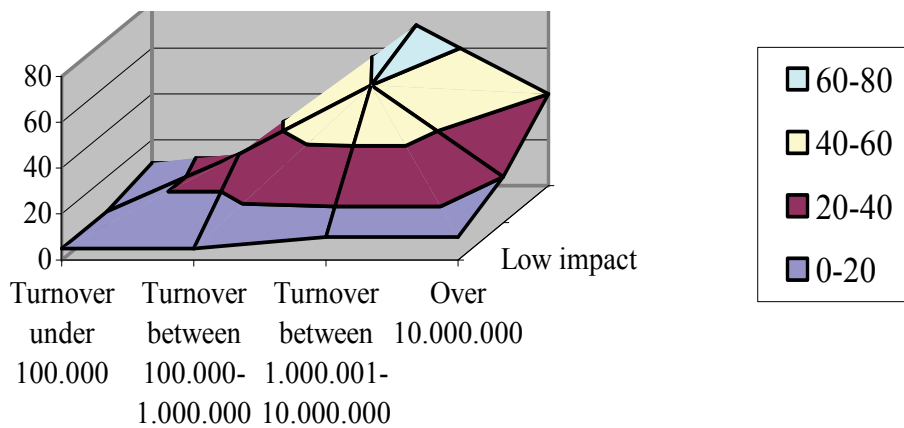


Figure no. 5: The intensity of changes impact on enterprises sustainability

The research facilitated the discovery of the problems and difficulties generated by the global crisis in small and medium target group enterprises. After collecting managers' answers, we have obtained the following results:

- 96.2% of the enterprises had delays in retrieving the equivalent value of the delivered goods and services, which determined managers to change their commercial policies and funding priorities;
- 84.6% of the enterprises had a decline in goods and services demand, reason why

they decided to intensify the marketing campaigns and to invest in quality and productivity;

- 50% of the enterprises had major difficulties in taking loans and that is the reason why the enterprise management had to rethink the objectives and strategic priorities;
- 64.5% of enterprises had to deal with a smaller amount or no liquid assets, and that determined them to take some firm measures both for recuperating the amounts of money owed by international beneficiaries and for taking some new loans;
- 76.9% of managers believe that the taxes system in Romania is very rough and that is the reason why they had to reconsider their strategies and policies in all the fields: production, human resources, research, financial, accounting and commercial.

The measures enumerated by the managers for getting over the above mentioned problems were the following: minimizing production and labour force expenses; investments based on subsidized and state warranted loans in order to increase productivity; personnel reduction because of integrating the newest technologies and valorizing the opportunities of covering some of the labour force costs through strategic projects funded by structural programs; entering new markets, both with the support of Romanian institutions and with the support of international organizations; closing insurance policies for different risks, as paying delays, for course differences in commercial operations, etc; attracting financial, human, material resources and technologies through projects funded by European programs for small and medium enterprises.

Another research hypothesis refers to the impact of governmental measures on small and medium enterprises from Bucharest, with export based activity. In the table below are presented the results obtained in research (Table no. 4). It means that the majority of the enterprises (80.8%) evaluated the governmental measures as inefficient. The other 19.2% thought they were efficient, but belated, incoherent and insufficient.

Table no.4: The evaluation of governmental measures by the business environment

Nr. crt.	The governmental measures perceived by the business environment	Frequency	Weight
1.	Efficient	5	19.2
2.	Inefficient	21	80.8
3.	Total	26	100.0

During the two rounds of interviews, managers explained what anti-crisis measures they have implemented for the enterprises upswing. According to the results 65.4% of the respondent enterprises reduced the personnel, 38.5% of them reduced employees' wages, 69.2% reduced constant costs, 73.1% diminished the production, and only 30.8% had externalized some services for reducing the total costs.

Yet, research results show that general managers from studied enterprises are optimistic when it comes to the evolution of their business in 2012. Almost 65.4% believe that the turnover will rise with 5% and the profit with 2-3%. These statements are respondents' estimations and are based on enterprises' business plans for 2011-2013. During the interviews from the additional step of the research process, general managers from the analyzed enterprises explained that those optimistic previsions are based on:

- a more stable international context, by comparison to the beginning of the crisis;

- different European funding opportunities for investments, consulting and developing, some of them already approved and contracted;
- a better fiscal framework for enterprises who export goods and services, starting this year;
- lowering banks' interest rate or having no interest rate for short term loans requested for development and simplifying banks procedures for new business funding lines;
- implementing direct cooperation agreements with banks and other credit funds for investments and development in small and medium enterprises;
- receiving loans through governmental programs, for example Mihail Kogălniceanu Program with 70% subsidized interest rate for enterprises who export goods and services, etc.

Conclusions and recommendation

As the research results show, Bucharest's small and medium enterprises with export activities, included in the study, were influenced by the global economic crisis, and in the current paper we showed, both the way the crisis began and the way they acted for minimizing its effects.

In the analysis section we present and explain the causes and the effects of the global crisis on the target group enterprises. From other specialists' studies, Olaru Marieta and Dinu Vasile, we found out that recent years governmental measures have not had the estimated impact on the Romanian business environment. Our research demonstrated that the majority of general managers of analyzed enterprises had the same opinion (Andronicianu, 2011).

Research results show the slightly optimistic perception of respondents regarding the improvement of national and international business environment, as a result of mitigating recession in some other developed states. They have made optimistic previsions for 2012 based on observed positive results in Romania and in other emerging states where they have businesses. Although, Romanian specialists' opinions (Olaru, Stoleriu, 2011; Dobrescu, 2009; Miron, Dima, 2009) regarding the European economic upswing are different, especially because of some big EU states' economic vulnerability, as: Greece, Italy, Spain, Portugal and Slovakia.

Starting from this research results we will further present some recommendations for sustaining the development of small and medium enterprises sector, especially those who have export activities, as one of the major impact domains to even out the Romanian trade balance.

One recommendation is to rise the budget allocation for stimulating the competitiveness of exporting enterprises and the support given by Romanian Govern. The analysts argue that it will be necessary an additional state capitalization of EximBank to launch new loan lines and supporting both the SME's and the biggest Romanian exporting enterprises, for those to be capable to continue their activity between ordering and collection of payments. After capitalization, EximBank could provide a wide range of financial guarantees for exporters, representing irrevocably and unconditionally commitments undertaken by EximBank on

behalf of the state. EximBank takes the risk of reimburse funding given for current export activity or for investment projects (Androniceanu, Sora, 2011). To these we add the stabilization of interest rate on export loans on medium and long term.

A second recommendation is to support small and medium enterprises by providing consultancy, due to currency risk. Few of them have hedging strategies, including insurance policies against currency risk. According to an analysis of R&M Audit and Accounting, hedging strategies are used by large local companies and multinational enterprises only. Most small and medium enterprises exposed to currency risk, remain at risk, which in the current crisis conditions is affecting their cash flow. The small and medium enterprises with export activities should be supported by consultancy to continue to attract European funds for investments and development projects, to train human resources and to diversify means of promoting goods and services on foreign markets (Androniceanu, Sora, 2009).

A third recommendation is to reduce taxation for all small and medium enterprises and to diversify incentives for those engaged in export activities. We believe that a suitable measure is to halve taxes related to the activity of small firms that export a commodity produced in Romania. Encouraging exports is a necessity at this time when there is a risk of entering again into recession, and the engine, which would be export growth for Romanian economy, cannot be replaced by any other measure.

The fourth recommendation is to diversify the state facilities and incentives for the Romanian small and medium enterprises in order to increase their access to foreign markets through: promotion of products and services, fostering communication and partnership in business and entrepreneurial training in export promotion techniques.

The fifth recommendation is to diversify the funding products and services for Romanian exporters, and also to insure the commercial and political risk. To these we could add guarantee products combined as multi-product ceilings, adapted to Romanian exporters contractual constraints, coupled with an increase in the efficiency of the analysis process of the requested product or service.

A final recommendation is to strengthen the cooperation between small and medium enterprises with export based activity and the academic environment, to allow the initiation of MBA programs adapted to the needs of managers engaged in foreign trade activities, both by small and medium enterprises or by universities. We appreciate that is necessary to stimulate the development of partnerships between universities, faculties and the ministries with export based activity or national associations of export producers.

The research that formed the basis for this paper demonstrates that managers' professionalism and their ability to innovate and adapt to change, combined with consistent and coherent governmental measures of economic, social and fiscal policies, are essential for successful businesses in a turbulent and vulnerable national and international environment.

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