

# ORGANIZATIONAL AND FINANCIAL PERSPECTIVES IN THE CURRENT CONTEXT OF GLOBALIZATION

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## Abstract

**Purpose** *In the current world economy, the process of continuous development of technology, technical-scientific progress, together with economic development, materialized in the opening of the circulation of goods, services and information, lead to the intensification of the globalization process. All these have major influences on the organizational and financial situation of companies.*

**Methodology/approach** *The method applied in this paper focuses on an analysis of the situation of companies both from an organizational and financial point of view, in the current context of the market economy. The changes that take place due to the current situation, influence the structure, organization and financial status of most companies. A redefinition of the situation and priorities is urgently needed.*

**Findings Research limitations/implications** *The study aims at an analysis of the evolution of the globalization process in our country Romania, going through the stages of development and integration of companies in the international context, the emergence and development of multi-national firms, and the forecast of the future situation, starting from the current context. It is inevitable to redefine priorities both nationally and globally, through a serious re-thinking and analysis of the economy and its effects.*

**Practical implications** *In the era of the Internet and oil as commodity, travelling, mass production, consumption and transportation are re-defined. From cheap maritime transportation, online communication to low-cost flights all these make people's life more dynamic, affordable and increases the way of life. These are parts of the benefits of the economic effects of globalization. There are also other effects, the re-location of different businesses or certain industries, like manufacturing to low costs labor costs regions/countries/continents, increasing for example un-employment in western countries or forcing a re-orientation or re-education of the work force. If we compare this with 100 years ago there are a lot of changes, most of them happening in the last 20 years with the start of Internet and the start of automation/robotization. With the 2020 Covid-19 pandemic, globalization will be most impacted, probably re-defined with a high pressure on local resources development to serve local needs in products and services.*

**Originality/value** *The problem under study is an analysis of the evolution of companies in our country in the context of globalization, starting from communication, democratization and market economy, that is not achievable without the liberalization of capital flow, with the clear purpose of development and profit. The main companies involved in the globalization process are the multi-national firms, which exist and function in all sectors of activity. Many of them have and manage important financial flows, but which are currently in a delicate status. The study of their situation, priorities and possibilities of future evolution represents the main purpose of this paper.*

**Key words** *financial situation, globalization, business, multi-national firms.*

## Introduction

Any economic activity in order to achieve its ultimate goal must be efficient and there needs to be a demand for its object of activity. Economic agents are aware of the importance of determining needs as a primary factor in achieving production, because it ensures the added value of the entire activity. The specialists in the field unanimously appreciate the fact that the success of a business depends on the needs and motivations of the buyers, who in fact do not buy products or services, but the satisfaction of the needs and desires that they procure.

The economic optimum is a term that can be defined as a state towards which the economic activity tends, where the existing resources and the production factors are used in such a way as to lead to the maximization of the satisfaction of the needs. The search for this optimum is based on certain economic norms but also collective preferences that allow the evaluation and comparison of different states. These preferences are the basis of the criteria for selecting the economic and social optimum. Such a criterion requires that collective preferences respect individual preferences. In the market economy, the search for the optimal must take into account the preferences of consumers, the producers having the role of taking those measures that lead to the transformation of goods that satisfy individual and collective preferences. An essential element is the optimization criterion that establishes the most advantageous option of combining production factors.

The Arrow-Debreu model for establishing the optimum, achieves a global optimum starting from partial equilibria, the balance being achieved between vectors of prices, expenses, production and consumption, provided that the total demand for each product does not exceed the total supply. This is an issue that must be taken into account in the current situation of the world economy. It is essential that each company re-evaluates its priorities both in terms of products made or marketed, as well as human resources. Within a company you can find a lot of vectors of expenses with fixed or variable capital, but also vectors of production. Depending on the vector of market prices, the company will choose the vector of production and sales expenses to ensure profit maximization, while the consumer who benefits from the company's products will choose a rational consumption vector that will satisfy the equivalent between the amount of his expenses and his income.

## **Methodology**

The issue of globalization has been and is widely debated, with different views on the emergence and development. The pace of life and economic development is becoming more and more alert, registering an alert increase in the level of communications, transport, but also of financial flows.

International trade in goods and services across the country's borders is an important aspect of a country's economy, being a significant part of GDP. Trade between different countries of the world is based on certain reasons such as: the distribution of resources in the world, different climate, insufficient domestic production to meet needs, specialization that leads to increased division of labor.

The profitability of trade between different nations is due to the different ratios of alternative costs. Prosperity in developed countries will trigger increased exports of raw material from the suppliers' countries. The crisis that occurs with the 2020 pandemic, is strongly affecting the price of raw materials. The specialization of the countries supplying raw materials for the export of such products, determines the dramatic decrease of the price. They cannot quickly reorient their export to anything else.

Economic transactions take different forms being influenced by different parameters. The transaction itself is a meeting between the manufacturer, supplier, seller and customer. However, this relationship is much more complex when we talk about international trade, because international trade, although it is a social act in which two people/parts are involved, is also an act of culturalization because goods and services are based on material elements, which include science, experience and traditions that are part of a people's culture.

According to statistical data, one can see that the worldwide international trade has grown to a share of 24% of GDP. World's biggest corporations perceive the international market as a single market. The emergence and development of multinational companies has been a key factor in the development of the world economy and the expansion of globalization.

At present, multinational companies provide two thirds of the country's income, their number being quite large. The desire to be employed in such companies increases exponentially as a result of the attractive salary and the opportunities offered.

Table 1: Top 10 of the most desired employers in Romania (Catalyst.ro, press, 2020)

No.	Company
1.	Continental
2.	Oracle
3.	Microsoft
4.	Amazon
5.	IBM
6.	OMV PETROM
7.	Bosch Romania
8.	ING Romania
9.	Vodafone Romania
10.	Groupe Renault Romania

As for how to get hired into these companies, it varies greatly depending on the status of each candidate and how to apply.

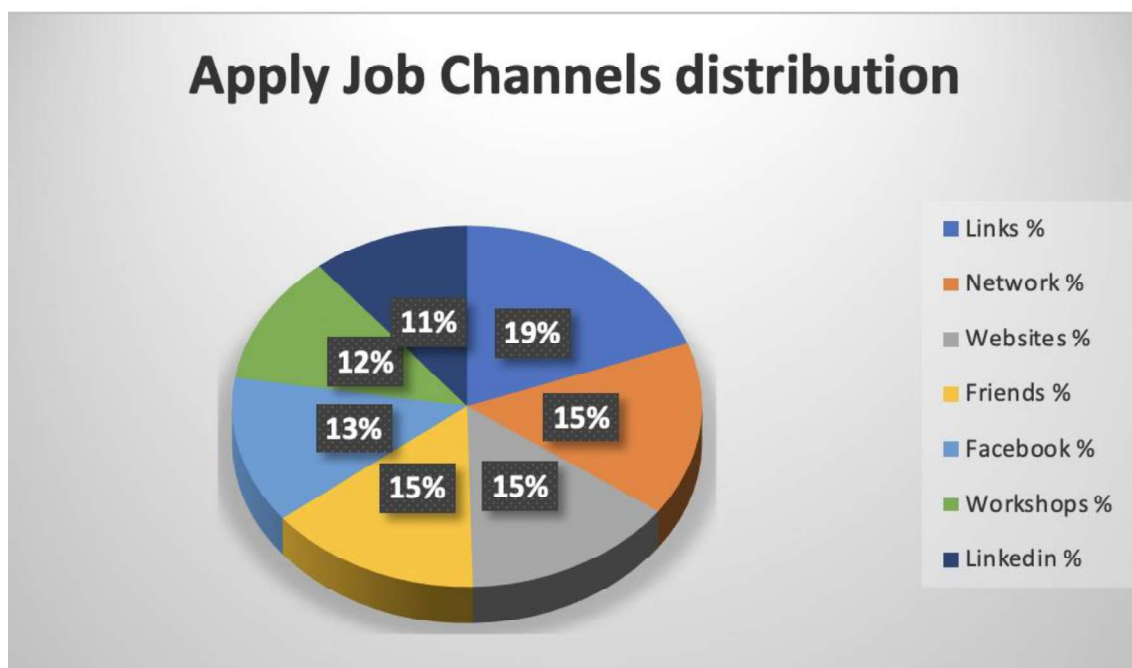


Figure 1: Apply Job per type of channel (Catalyst.ro, press, 2020)

Redefining the priorities, the way of organizing and functioning of large and small companies, is the problem that organizations face both nationally and globally. The reorganization of the activity, the choice of the representative projects, the organization of the human resource, of the way of accomplishing the activity are the essential point in redefining a successful business. In order to estimate a profitable activity, the first step is to estimate sales and expenses, the result materializing in profit or loss for the company. There are situations when due to conjunctural influences can occur or large profits in a short period of time, or significant losses.

In order to be able to establish the company's strategy as realistic as possible, it is necessary to take into account all the technical and financial information.

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The sales market is the place where competing companies meet, the transactions made by them rooting problems of creditworthiness and of negotiations' management.

The supply market raises problems of creditworthiness of suppliers, quality of products sold, methods and delivery times. The choice of the transport method is an aspect that must be taken into account due to the problems it raises. Thus, road transport is recognized for the flexibility it offers, but it is strictly conditioned by weather conditions. Air transport offers a short delivery time, but the costs are much higher. Shipping by sea is the most economical mode of transport, flexible and tailored to customer requirements, but dependent on weather conditions and long delivery time.

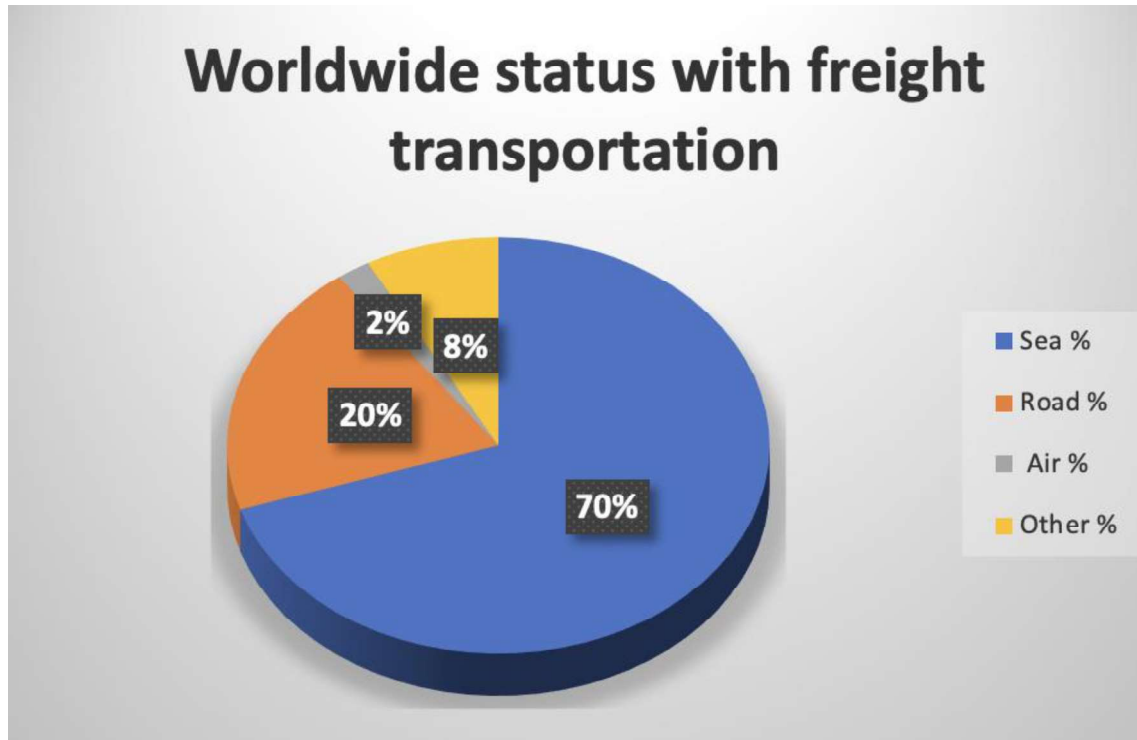


Figure 2: Worldwide status of freight transport (European Union website, press, 2020)

The financial market is the one that will cover all financial flows, it is the meeting place of the demand and supply of liquidity.

The labor market is the place where employers and employees meet, in some cases through recruitment companies. Here is selected the information about the structure of the jobs, of the offer and of the requested salaries. Currently we can talk about the year of changes on the labor market both in Romania and worldwide. Many companies have had to close their businesses, while some multinational companies have chosen to leave certain markets to reorient. We live in a period in which new forms of work appear in the digital economy, some even atypical.

Until the crisis we are facing now in 2020, both domestic and multinational companies thought and forecasted the economic strategy they wanted to follow for the coming years. Currently, all these strategies need to be re-analyzed and re-thought in order to be applied to the current context. All companies' activities were affected, their main concern being an immediate reduction of expenses. This could had been done immediately but only on the short term due to the fact that in the next period, companies had to increase the expenses with ensuring health safety at work in the context of Covid-19 pandemic.

According to estimates made by several multinational companies, a 25% reduction in profits is expected compared to the previous year, which raises serious questions about the desire of parent companies to keep and support their operation in other markets.

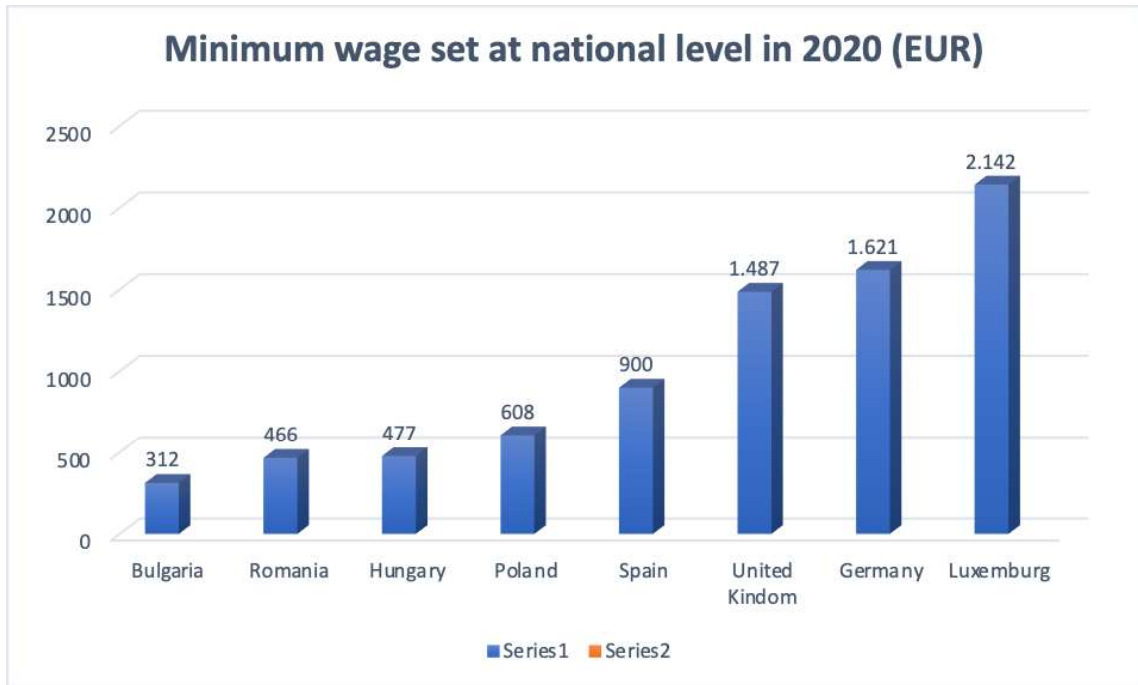


Figure 3: Minimum wage set at national level in EU in 2020 (KPMG, press, 2020)

From the data published by the Romanian National Trade Register Office, we can see a substantial reduction in the registrations of companies with foreign capital. In conclusion, the crisis we face worldwide affects all markets, the main concern at the moment is to maintain the existing companies without major losses.



Figure 4: Dynamics of companies with foreign capital, compared to January-May 2019-2020 (Romanian National Trade Register Office, online statistics, 2020)

The economic downturn is major and unprecedented. Certainly, the process of globalization is stagnant and possibly even in regression. The consequences are clearly unfavorable and with bleak prospects. The question is how many national companies will survive and whether they will survive. In the European Union, the European Commission has called for a suspension of the Stability and Growth Pact (SGP) in order to encourage governments to support domestic companies.

## Conclusions

The conquest of new markets in order to carry out new economic transactions, involves conducting in-depth research and studies, which involve high costs. All these are influenced by the constantly changing economic situation but also by possible unfavorable events foreseeable or not.

The emergence and development of multinational companies in our country has brought with it a number of opportunities for both companies and the population. Cheap labor was the main aspect that encouraged their development in the first place. Currently the situation has changed, we talk about cheap labor only when we talk about unskilled labor. On the other side in different regions of Romania like Cluj for example, IT clusters are employing large communities of very skilled IT professionals for their technical expertise and with focus on building business expertise as well, providing consultancy for clients from western Europe or US based clients, making this the most important focus of multinational companies in IT.

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