

GLOBAL ECONOMIC CRISIS, A CATALYST FOR REFORM

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The economic and politic problem of nowadays is the crisis that established since 2007, in United States of America and extended in the whole world starting with 2008.

Crisis is neither good, nor bad. Could represents a crossroad. It gives us the opportunity to choose. It's not the first one and is similar with that one from 1929-1933- which was caused by overproduction. We have the temptation to compare them, but we can't, because this one is caused by overconsumption, is a systematic crisis, which put in question neoliberalism, liberalism and neoconservatorism. We have a crisis inrooted in lack of trust.

The desirable therapy, if we can say like this, should be a challange to change the system. A crisis has some good in it. Protection against the lack of transparency and irresponsability is needed. People have different needs, different interests. We have to reinvent the mechanism, we need more power, so we must put together more resources, we need a transnational democracy. The institutions are too old. The states aren't any longer the international actors, the corporations are. We have to reform the International Monetary Fond, Mondial Bank, we have to create new institutions

The main causes who generated the crisis were: the boom of credits, strong increase of assets prices, exacerbating the role of financial instruments, uncontrolLed loans, exaggerate appetite for profit, lack of adequate corporate governance, the aggressive monetary policy, short term elections, political instability, interests groups. The crisis affected all sectors: industry, agriculture, finance etc.

The effects on short and also on medium and long term are: rethinking of international and national financial mechanism, a new restructuring and transform of national economy, decrease of GDP, unemployment increase, decrease of credits, of FDI, improving transparency, reorientation of foreign trade. There are some impacts in Romania: in infrastructure, education, inovation, to facilitate production growth, improvement of market transparency, competitivness. Business cycle is generated by supply shock and demand shock. In our country the measures should be financial consolidation, banking reform, improving market transparency.

The global economic crisis significantly affects Romania. As shown in the present economic situation, we can expect a slightly longer period than is officially circulated, until the return on an upward trajectory of economic indicators. At the moment, markets are affected differently and with different intensities. But what is true is that we must change. For this reason, I believe the current economic crisis can be seen as an opportunity, an opportunity for change.

The current crisis forces companies to look more carefully on the inside, to identify ways to optimize. There are some efficiency areas: procurement, warehouse management or production. Extensive development in recent years, directed exclusively to increasing sales, left out of efforts to streamline areas such as procurement, warehouse management or even production. Among other things, this is one of the reasons why now witnessing the failure of more companies, an a highest number are in difficulty over this period.

But I think there are measures that could help companies to maintain profitable or at least minimize losses. Attention should be directed to reduce costs. Beyond tariff

reductions generated by lower fuel prices and possible reduction of staff costs (as a reversal of expected supply / demand on the labor market), there are at least two major directions for optimizing how resources are spent company's financial: **reducing administrative costs** can be a source of savings, especially in large companies with a large number of employees, possibly geographically dispersed. Analysis can cover costs in detail:

- rent (in the revaluation opportunity for relocation or reduction of space required)
- car park
- energy consumption
- communications, IT infrastructure, travel, office equipment etc..

It's true that the economies that could get through efforts in this area will not be able to save from bankruptcy a company in serious difficulties, however, certainly may be an important component in efforts to maintain a cash flow positive.

It is possible that after this analysis to identify significant sources of savings, in areas that until now were not priorities for management companies:

- Relocation of offices or even the production facilities, commercial spaces that, in areas where rent is significantly less (sometimes it may take into account even relocating to another city)
- Optimizing the placement of deposits (including here and reduce the number of locations), considering a mix of factors (transport costs, charges for rent warehouse, staff, delivery time acceptable, the implementation of IT infrastructure to facilitate information flow) may also be a direction to reduce costs.

Optimizing management of deposits is a new direction to reduce costs. Minimizing restraint, represented by stocks of raw materials or products for sale, must become a priority for any company before considering a logistics support activities and whose impact was considered relatively low on company performance. Reducing inventory is possible with the introduction of advanced warehouse management systems, such as MRP (Material Requirement Planning), to be supported but also the right IT infrastructure. Strictly short term it is likely that an increasingly important part of company assets to be restrained in stocks of finished products. How this lack of liquidity is difficult to offset by financing from the banking system today, many of these companies, which otherwise can be profitable, are put in difficulty. It's a truism that this time is more important to have positive cash flow, rather than fight for a profit as possible. Therefore, continuous monitoring is very important, attention and priority of the evolution of stocks to adapt quickly to sell policies in finished products, that existing contracts progress in materials. In many cases, as we see already happening in recent months, and suspension of production may be an appropriate solution to avoid immobilization resources companies. In the medium and long term, however, requires a different strategic approach of how we spend company resources.

Many companies only work procurement as purchasing department and as often, it comes own to placing the order to the supplier. But according to procurement is a cross-section, covering many more steps, from demand planning, demand management, tendering, negotiation and contracting, order placing, racking delivery. I listed all the major activities for each of them can be optimized, and many of the effects of these optimizations can be measured in money. The potential benefits of these measures are directly measurable in money:

- planning and defining the application more thoroughly and more fundamental
- increasing control of how we are organized selection of suppliers
- increased attention to ethical decision-makers in the procurement process
- greater transparency in decision-making process enabling timely.

An important opportunity that should be capitalized in the current context, acquisition policies is to increase bargaining power in the relationship with suppliers, considering the overall decrease in demand and suppliers' policies to reduce prices. It is necessary therefore that at this time existing contracts be renegotiated and new contracts to be done for short periods of time.

I think the end of this crisis will find Romanian companies rationally and efficiently organized, which will raise the level of competitiveness, (the principle of "what does not kill us makes us stronger"). The change will create prerequisites for a sustainable and healthy development of the Romanian economy will accelerate our economic integration in the globalized economy, what will change and it probably undamentals in this period.

Some conclusions could be:

1. Crisis force the change
2. In the medium and long term, requires a different strategic approach of how we spend company resources
3. Reducing administrative costs can be a source of savings
4. A 10% savings in procurement is reflected in increasing profits by 10%
5. Increase bargaining power in the relationship with suppliers.

The remedies should be: bank capitalism, diminishing interest rates, special policies for SME, protect vulnerable groups. **Measures:** separation of bad assets, recapitalisation of institutions, fiscal and monetary policies, stabilizing the foreign exchange rate, supporting the bank sector, taxcuts, facilitate private investments, improving education, financial, accounting.

We have the capacity to change the world. If we do it or not is our choice.