

DELOCALIZING COMPANIES WITHIN THE GLOBAL ECONOMIC CRISIS

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ABSTRACT

The forming of a global business environment based on transnational companies has been determined by companies that relocated and extended their economic relations. The relocalization of companies has meant a steady increase in foreign investments.

The global crisis can also be considered an effect of companies relocalizing, which have allowed, because of their development in more than one country, a transfer of the economic crisis in every country of the world. In the current state in which everyone wants out of the current economic restraint, the process of relocalizing seeks to exploit as much as possible the available resources.

KEYWORDS: *global crisis, delocalizing companies, globalizing of economic activities, foreign investments, global business environment, transnational companies.*

Lately, many large companies activate in many countries. The main reason for which these companies move their activity to other countries is caused by the will to diminish the production costs as much as possible. The trend of delocalizing and relocalizing of organizations based on economic criteria has led to the globalization of activities. Thus, one can observe an economic development much like a network with a powerful interdependence between the fields of activity.

The globalizing of economic activities also leads to the elimination of intercultural boundaries between countries and to the decrease of the influence of the political factor on the companies with international activities. At the core of delocalizing organizations was the development of society from specific to local, from general to global. Under these conditions, one must carefully get to know the environment in which a certain activity will take place. In this way, if the company is relocated, it is implied that the following factors must be thoroughly understood:

- Political
- Economical
- Legal
- Social
- Technical
- Ecological
- Geographical

Based on these factors one can build a foundation of informational, financial, human and material resources.

Knowing in detail the characteristics that appear in the new company environment is necessary due to the need to preempt any risk factor that can or may diminish the quantity and quality of the company's future activity.

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economic advantages of relocation of production are outlined by the large number of companies all over the world that have extended their area of production, as follows:

- 40% of the companies in the USA have relocated production
- 30 of the companies in the Japan have relocated production
- 40 of the companies in the Western Europe have relocated production

Prior to the global financial crisis, relocating meant undergoing a certain number of steps:

- Developing activities that can be exported which would force to company to go abroad.
- Setting up Rep. Offices with a commercial purpose in order to establish a degree of acceptance towards the company's activity in that particular country.
- Setting up Rep. Office that would ensure the production of goods which would then be sold. This last step required a careful analysis prior to execution because it implies a large financial implication on the company's part.

Delocalizing production also requires a long term strategy, based on market studies, advertising and promoting campaigns, etc. The effects of the global financial crisis in the last couple of years have determined a change in a company's delocalizing strategy. They have determined a certain degree on constraint on companies.

The main impact of the crisis has been on the foreign investments, which has determined a decrease in companies' financial potential regarding economic activity – this also includes the aspect of delocalizing.

Another significant impact – which influences the delocalizing process – is on the state of the art technology. It has determined in the past a growth in product complexity with a significant impact on costs.

Delocalizing companies also implies a shift in production site – closer to the desired market. Regarding resources (material and energetic), the economic draught has shifted companies toward countries with alternative material resources that imply a low cost. The global financial crisis also determines a significant human resources cost cut.

Due to the financial crisis, commercial trades have registered a massive decrease, which allows companies to transport resources to the center of production and the finished product from the center of production at a lower cost. From a investment point of view, delocalizing companies is facilitated by reducing the patrimony value of some companies – assets of such companies can be acquired at a lower cost, modernized and allowed to increase in value.

A determining factor in this case is time. Relocating is majorly determined by the financial aspect of an environment and by the growth of its cost – profit ratio. Under these conditions, companies must look at the global environment.

The attention of the companies must be shifted to relocating in locations that must allow the following:

- the obtaining of material and human resources at the lowest possible cost, in a reasonable timeframe and of good quality;
- the sale products or services that would satisfy the need of clients at a reasonable price.
- Relocating as soon as possible, in a time frame that would allow the company to reduce costs in such a way that would cover any loss of revenue determined by the global financial crisis.

These objectives also aim the development of informational technology and IT which can facilitate, based on info acquired as soon as possible, proper decision-making. An important opportunity is the relocating of companies with services that have a high added value in countries from poorer areas of the globe which allows reduced human resources costs. As an effect, social differences will gradually disappear. The threats caused by the global financial crisis are also the ones leading to a lower ratio between the revenue

by investing in relocalizing and the revenue generated by the human resource and labor. At the same time, the difference between revenues from qualified labor and nonqualified labor will increase. This aspect leads eventually to the disappearing of the middle class, the semi specialized class of laborers. This fact influences unfavorably the development of human resources which, if would reorient their career toward other fields of activity, would need a longer period of time to gain experience and 'know-how'.

Based on the opportunities and threats listed above, one could state that the global crisis has had major effect on relocalizing.

1 – the increase of speed of relocalizing in countries with potential regarding the market, as well as resources. At the same time, the country factor reduces significantly in importance – this will belong more and more the economic field and to the companies.

2 – Reducing intermediary relocalizing.

Companies either have to focus on local environments and develop on a 'zonal' basis, either they have a sustained rate of growth which allows for the globalization of its activity.

At the core of relocalizing companies has also been the development of the IT&C department which has offered quicker access to information and has allowed much faster and transparent promoting of companies. Through this development of IT&C, it has reduced many cultural and informational differences which represented major setback in relocalizing and globalizing of certain companies.

The global crisis can also be considered an effect of companies relocalizing, which have allowed, because of their development in more than one country, a transfer of the economic crisis in every country of the world. In the current state in which everyone wants out of the current economic restraint, the process of relocalizing seeks to exploit as much as possible the available resources.

It is highly recommended that relocalizing companies towards the increase of competition and reducing the effects of the financial crisis, be done by carefully correlating economic and legal, political and social factors. Neglecting any of these aspects or ignoring them may lead to accelerated relocations which may have serious damaging effects on the countries involved in this process.

In conclusion, relocalizing companies in current economic conditions brings out new issues. The economic factor plays a larger role than it has until now in comparison to political factors.

Relocalizations, at the time, influence companies in the sphere of production as well as those in the sphere of services. The main purpose is that of reducing costs. This will lead to an increase in efficiency and an increase in the investment – profit ratio.

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