

# SERVICE PROVIDING ENTERPRISES IN ROMANIA

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## Abstract

Service enterprises became important with the development of the tertiary sector in Romania which has recently become the predominant sector holding a share higher than 50% GDP. The specificity of these companies contribute in a sustainable way to the evolution of the number but also the turnover within the economy. Heterogeneity of services with the other main characteristics of the services put their mark on service enterprises transposing them an extremely high variability given the typology of services.

The purpose of this paper is to provide an analysis of the evolution of service enterprises in the 1997-2013 time frame in order to establish the trend that these companies followed but also to establish a hierarchy of services depending on thnumber of companies provided. We have to consider both the commercial and social enterprises and we will use statistical data provided by the NIS but also the studies on this subject so far. Our ultimate objective is to determine the evolution of service businesses in Romania and to extract the causes that have led to this development.

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**Keywords:** Services, the service enterprise, difference of services from goods, evolution, Romania

## Introduction

The service enterprise is a more special class of enterprises in the sense that the difference of services from goods give specificity to the establishment and operation of such enterprises. Be it commercial or social service the specificity of the companies it produces and sells is a well defined one in the specialized literature. If we are talking about banking, educational, transport or tourism, health services, cleaning, consulting, sports, law services, etc., we find that this multitude of activities gives our study purposeful observation of the multitude of companies providing

services and setting the trend followed by the total number of businesses, total and by category services.

On the stage of global competition companies are seeking advantages and create value with prevalence by increasing flexibility, and oriented to centralizing the role of client and competition in time. On the one hand, one proceeds to amplify variety of activity: increasing service levels, increasing the range of goods, increasing the quality of goods offered, reaching customization. (Janetta Sirbu, 2006, p 67).

The distinction between products and services, especially given their characteristics, are found in the specialized literature and may be summarized as follows:

- Services are intangible, immaterial unlike products which have a material character;
- Services are not stored and are characterized by perishability unlike products that can be stored and used whenever there is demand;
- Services are not there before buying while products can be analyzed prior to purchase;
- Services can not be resold once they have been used, a different aspect from products that can be resold;
- Services are performed simultaneously with consumption with the client actively participating while in the case of products consumption is preceded by production, production, sale, consumption taking place in different spaces, only the manufacturer contributing to their achievement;
- In order to perform services the customer is very much involved, a different aspect from goods where the consumer is not involved;
- Services are less controllable being difficult to standardize and presenting a high variability while products can be controlled by standards, with relatively little variability;
- Services are less technically complex, products presenting a great technical complexity.

These differences underlie argumentation that companies providing services are highly complex, numerous, varied in form and structure and enjoy a particular specificity.

We have lately been witnessing the expansion of the process of outsourcing services and it will increase further as "a compulsory way" to the survival and development of the company, regardless of sector, size or scope of activity. Thus enterprises benefit from the exemption of services, a lasting partnership, to create and sustain competitive advantage, to diversify increasingly the offer of products, works and services, to enhance flexibility in the performed activity and to meet the diverse requirements of consumers. (Janetta Sirbu, 2006, p 68).

According to the opinion of the specialists, the dynamics of business areas where outsourcing is used is also relevant. Thus, in the first 2-3 years of activity of the enterprises up to five fields of activity have been outsourced, currently having reached 21 fields to the outside (ie 84%) and in the future trend is increasing (87-90%). Sectors in which outsourcing was used were diverse. (George Minculete, 2012)

For a long time the service sector was considered impenetrable by international competition. With the improvement of communications technology such as the internet, services can cross political boundaries by waves, achieving at the same time, access to cheap but well-trained labor. (Feeders, Victor-Adrian, and Dumitru Alexandru BODISLAV. 2012, p: 571)

### **Organizations providing services - general aspects**

An economic agent represents the organization (pluripersonal or unipersonal) with legal personality established to conduct activities defined in the Law no. 15/1990, Law no. 31/1990 subsequently amended, Law no. 507/2002 and Emergency Ordinance no. 44/2008.

Organizations providing services like any enterprise appears to be an economic entity that seeks the satisfaction of needs, where there is a permanent , continuous interaction between the material, financial and human resources that make up the internal environment and a number of extremely varied items of an exogenous nature forming its "external environment" .

Satisfying the need for services is done in several ways, namely:

- By self consumption,
- The provision of services by authorized persons or by companies.

By the position held in the social and economic environment emerges as a form of satisfying a need, service enterprises. In the national economy, it appears as the basic organizational unit, being organized specifically to meet the service needs of natural and legal persons.

Service providers perform a services offer that meets the needs of final or intermediary users, an offer which unlike that of products represents "the organizational capacity of service providers to meet certain requirements of beneficiaries under certain conditions of quality, structure and deadlines." To this organizational capacity of service providers to provide useful activities to consumers belong the workforce that will provide the services, the necessary technical basis, and the system of relationships between providers and consumers.

Thus it is known that human resource plays a crucial role in the activity of services firm because the quality of services offered depends on its preparation and skills. Also the customer of a service company can be

considered as an "external human resource" because it actively contributes to the provision of services. Along with staff and material support is a key element for the enterprise in the provision of services.

Thus it must be raised for discussion the image of the service company which is considered a key to success in the sense that no customer wants to identify with a losing enterprise, which does not enjoy a good reputation.

### **Typology of services providing enterprises**

Services enterprises satisfy a wide range of needs of both the population and companies. Some services providing enterprises folds only on the needs of the population just as those which provide personal care, education, elderly people or children care, religious services, sports, tourism services, others only on the needs of other companies such as repairs, engineering, technology transfer, etc, but most of them are aimed at satisfying some mixed needs and we refer to telecommunications, banking, transport, consulting, legal, financial, leasing, services etc..

Depending on the classification of national economic activities (NACE Rev. 2) enterprises are grouped by the following categories: Wholesale and retail trade ,maintenance and repair of motor vehicles and motorcycles, Wholesale trade, except for motor vehicles and motorcycles Retail trade, except for motor vehicles and motorcycles, Land transport and transport via pipelines, Water transport, Air transport, Warehousing and support activities for transportation, Mail and courier activities, Hotels and other lodging facilities, Restaurants and other food service activities, Editing activities,Activities of motion picture, video and television programs; Sound recording and music editing activities, Activities of broadcasting programs,Telecommunications, Information technology services, Computer activities, Financial intermediation, except insurance and pension funding, Activities auxiliary to financial intermediation, insurance and pension funds, Real estate transactions, Legal and accounting activities, Activities of head offices; management activities and management consulting, Architecture and engineering activities;Activities of technical testing and analysis, Research and development ,Advertising and market research, Other professional, scientific and technical activities, Veterinary activities ,Rental and leasing activities, Activities on labor services , Travel agency and tour operators activities; Other reservation services and touristic assistance, Investigation and protection activities, Activities of landscape and services for buildings , activities of secretariate,office support and other activities and services provided to enterprises, Education, Activities on human health ,Combined services of medical care and social assistance, with accommodation ,Social work activities without accommodation, Arts and entertainment activities,

Libraries, archives, museums and other cultural activities, Activities of gambling and betting, Sports, recreation and entertainment activities, Repair of computers and personal items and household goods, Other service activities (NACE, 2012)

At a glance we can see the diversity of this group of companies providing services to the national economy.

Remaining in the area of classifying services, some experts have considered the relationship between the nature of services and the specific demand to be met, and made the following taxonomy:

1. Administrative, financial ,accounting and personnel services, a group which in turn is subdivided into activities conducted by several types of economic agents namely consultancy firms, legal and tax office accounting, financial and economic consultancy firms, external audit offices, staff training companies, recruitment corporations or institutions , financial services companies, companies providing bureaucratic services .

2. Management services of producing various material goods are services performed by a large number of companies in various categories: industrial engineering companies, production systems, manufacture itself, companies and R & D organizations, companies of measurement and quality control, companies of asset recovery and recycling of goods;

3. Commercial services are activities carried out by specialized companies such as companies specializing in market research, consumer behavior, marketing strategies and policies, asset creation, brokerage, advertising services, wholesaler companies, commercial brokerage companies , joint export promotion and foreign distribution, after-sales service companies, trademarks and patents companies.

4. Logistics, communication and transportation services, provided by specialized companies in such activities as: investigation and organization offices and advisory services firms in computer science, transport companies, transport intermediaries, deposits, enterprises, companies of inventory management, travel agents, estate agents, agents of movable location, leasing companies and firms of architecture .

5. Public services which have gained great importance in recent times are provided by enterprises such as sanitation companies, building maintenance, protection, security companies, industrial restoration companies..

### **Analysis of evolution of services companies by category**

Services providing companies have an interesting but controversial evolution if we discuss a long period of time since, due to structural changes of NACE Rev.1 and NACE Rev.2 (like aggregation and / or details of the

classification of entities of NACE Rev. 1) and changes can occur related to a number of companies due to one/ some sectors of activity.

Due to these structural changes we can not make a relevant analysis on services sectors as extremely large differences occur.

For a comprehensive picture we have presented below the evolution of overall service enterprises and their share in total economy

The number of service enterprises active in national economic activities (NACE Rev. 1)

Tabel nr 1- number-

Years	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Total in economy</b>	327736	329435	329826	318370	320929	328445	363086	410495	450202	480323	520032
<b>Total sector of services</b>	270851	268528	265866	253886	253507	254127	279798	316913	348260	370742	397423
<b>% services in economy</b>	82.64	81.51	80.60	79.74	78.99	77.37	77.06	77.20	77.35	77.18	76.42

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Between 1997-2008 service enterprises classified according to NACE rev 1 had an interesting development in the sense that from 1997 to 2001 the number of these companies dropped at a relatively low level compared to subsequent years ie 253 507, after which since 2002 the number has continued to grow from year to year, reaching in 2007 the impressive total of 397 423 enterprises. The evolution of services companies does not coincide with the overall evolution of enterprises which evolved increasingly during 1997-1999, has slightly decreased in 2000 and since then growing continuously. As a share of the total enterprises in the economy we note that if in 1997 it recorded the highest value, namely 82.64%, in the next period it is decreasing year on year, in 2007 reaching 76.42%. We can see the importance of the services sector in the number of companies, an aspect that can be explained by the attractiveness of this sector in the field of profitable business , aspect reflected in the increase of its share in the creation of GDP. The need for services increasingly diverse is expressed by the operation of a large number of companies in the Romanian economy.

Since 2008 the national economic activities NACE classification has been revised and so activities have been regrouped and service enterprises have been resized, causing the next evolution.

The number of service enterprises active in national economic activities (NACE Rev. 2)

Tabel nr 2- number-

Years	2008	2009	2010	2011	2012
<b>Total of economy</b>	554967	541696	491805	452010	472187
<b>Total sector of services</b>	420716	407596	373769	343640	360423
<b>% services in economy</b>	75.80	75.24	75.99	76.02	76.33

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Note that from 2008 to 2011 the number of enterprises in overall economy-decreased steadily, noticing a slight recovery in 2012. The same trend has been followed by the number of service enterprises and their share has remained relatively constant, even increasing which shows that there is demand for services and supports the services offer made by this category of companies

In the period 1997-2012 enterprises in the Romanian economy have evolved as shown in the figure below

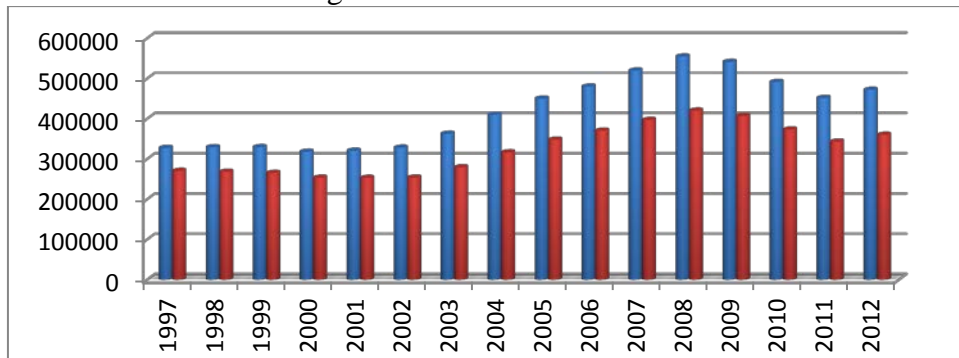


Fig 1. Evolution of enterprises in Romania between 1997-2012

We will further examine the main categories of services in terms of number of enterprises providing services.

Trade is a field of activity which is clearly defined in any national economy, of a rare complexity, with a fairly extensive internal structure in which retail distribution activities, storage of goods, supply of high and import-export activities have a great importance. Service enterprises show an interesting trend, trade registering a rapid and unprecedented rise in the last 20-30 years, involving specialists' concerns in order to understand this sector.

The number of active companies providing commercial activities

Table no 3- number-

NACE Rev.2 (activities of national economy )	Ani				
	2008	2009	2010	2011	2012
Wholesale and retail trade ,maintenance and repair of motor vehicles and motorcycles	16514	17303	15990	15290	16202

Wholesale trade excepting trade of motor vehicles and motorcycles	62379	58997	53715	49489	51062
Retail trade, excepting motor vehicles and motorcycles	135244	121311	112198	100321	102459

<https://statistici.insse.ro/shop/index.jsp?page=tempo3&lang=ro&ind=INT101P>

In the presentation of its statistical data, INS Romania made a distinction between trade in motor vehicles and motorcycles and other types of goods and we found that most of the companies exercise their activity in retail. Year 2012 is the year in which in commerce the trend has become increasing after the previous years in which declines were registered caused by the effects of the financial crisis that also generated bankruptcy of many firms in retail or wholesale. The most numerous companies are operating in retail, twicemore numerous than in the wholesale. If we consider that wholesalers are companies with greater financial strength we note that the number of companies is irrelevant.

Transport is a side of economic activity of the human society organized to defeat distances. Some specialists (Alexa C, 1995, p.3-6) state that transport is not an end in itself. It is the only way and one way of achieving a very wide range of practical purposes. Highlighting the role and importance of transport can be made by analyzing their relationships with various economic, social and political aspects of the activity of society's members..

The number of active enterprises in transport, storage, postal and courier activities

Table no.4- number-

NACE Rev.2 (activities of national economy )	Years				
	2008	2009	2010	2011	2012
<b>Land transport and transport by pipelines</b>	31621	31705	29434	28438	30582
<b>Water transport</b>	168	277	296	158	162
<b>Air Transport</b>	56	73	81	62	61
<b>Storage and auxiliary activities to transport</b>	2111	2399	2364	2230	2353
<b>Postal and courier activities</b>	533	610	599	825	906

<https://statistici.insse.ro/shop/index.jsp?page=tempo3&lang=ro&ind=INT101P>

Enterprises with land transport activity and pipeline transport are the most numerous transport service enterprises recording a total of 30582 companies in 2012 when the trend becomes increasing and comparable to pre-crisis years. Water transportation is practised by a small number of companies which from 296 companies in 2010 fell by almost half in 2012. Also in the case of air transport we find a small number of companies but it should be noted that they are mostly large companies because they require significant investments.



Storage of goods, ie their stocking, are closely related to transport processes. In fact, the storage of goods is equivalent to a transport in time and not in place. This activity is an important component of the distribution of goods, in a kind of bridge between productive-consuming activities and transport. In 2012 2353 companies operated in this area.

Postal services have operated since antiquity in an organized form. At first they worked only to the "benefit" of the king, carrying his correspondence and orders, developing military posts, then to be sold to the public. Today postal activities are completed by postal courier services that have achieved a significant role, becoming competing services to the Romanian Post services which had monopoly until some time ago and which is still unique universal service provider to any location in Romania, at affordable prices to all users and high quality standards. We found a marked increase in the number of units with nearly 400 more in 2012 compared to 2008.

Romanian Post National Company is the leader of the postal service in Romania, with a market share of 74.28% in terms of volume. In 2012, the Romanian Post processed through its postal network comprising over 5,500 postal subunits and an intake of over 30,000 employees, and 388,67 million postal sendings of the total of 523,29 million of postal sendings registered in Romania.

In tourism, the offer is made up of a combination of material supply and services, production distribution and consumption occurring at the same time and even in the same place; Travel Service is a consumer abstract asset, intangible, invisible, leaving behind only a bill; and consumers can not see in advance the benefit that they wish to consume. (V.Olteanu, I Cetină, 1994).

Thus, in order to achieve a global offer in tourism several companies contribute including hotels, chalets, restaurant, entertainment firms, transport companies, tourist animation, travel agencies and others which provide additional services.

### The number of active enterprises in the tourism sector

Tabel no 5- number-

NACE Rev.2 (activities of national economy )	Ani				
	2008	2009	2010	2011	2012
<b>Hotels and other lodging facilities</b>	4297	5222	4918	4573	4824
<b>Restaurants and other food services activities</b>	19356	20948	19484	17637	18675
<b>Activities of travel agents and tour-operators ,ohtet services of reservation and touristic assistance</b>	2771	2808	2569	2410	2576

<https://statistici.insse.ro/shop/index.jsp?page=tempo3&lang=ro&ind=INT101P>

Enterprises that contribute to achieving the overall tourism product are numerous and diverse if we consider the performance of services that make tourism (transport, accommodation, food, leisure and additional services).

Spaces providing accommodation, either we are talking about hotels or other accommodation facilities along with other companies that provide tourism activities have evolved as shown below:

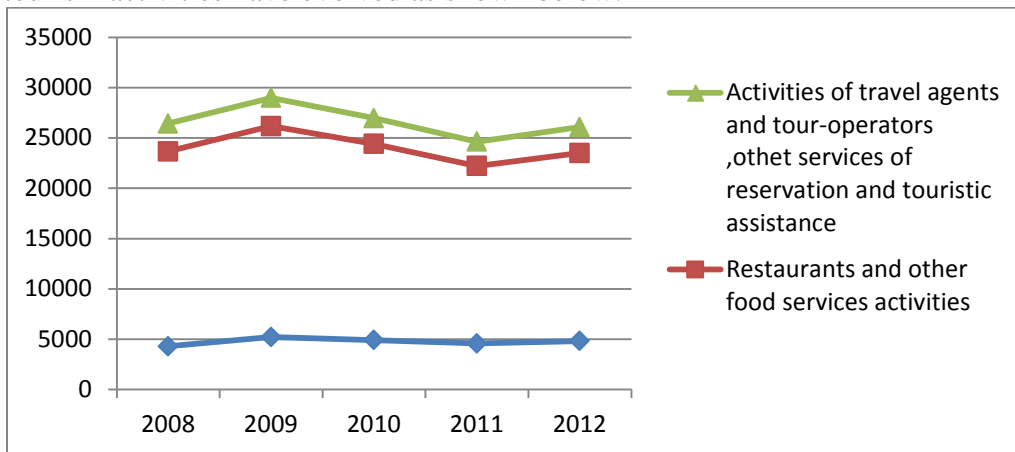


Figure no.2 Evolution of operators of touristic services in the period 2008-2012

A significant number and an interesting development we find in the real estate transaction services, management , legal, accounting, architectural and engineering services

Number of active enterprises in the real estate transaction services, management , architectural and engineering services

Table no6- number-

NACE Rev.2 (activities of national economy )	Ani				
	2008	2009	2010	2011	2012
<b>Real estate transactions</b>	14767	15107	13586	12302	12737
<b>Legal and accounting activities</b>	8923	8898	8185	7562	7954
<b>Activities of head offices, centralized administrative offices, management activities and consulting activities in management</b>	21205	19878	17378	15230	15928
<b>Activities of architecture and engineering; activities of testing and technical analysis</b>	14938	15710	14278	13234	13789

<https://statistici.insse.ro/shop/index.jsp?page=tempo3&lang=ro&ind=INT101P>

Real estate transactions, a class of services which until 2008 saw a dramatic increase restricts its dynamics by significantly lowering the number of companies in the analyzed period. An evolution of these services but also of those presented in the above table is as follows:

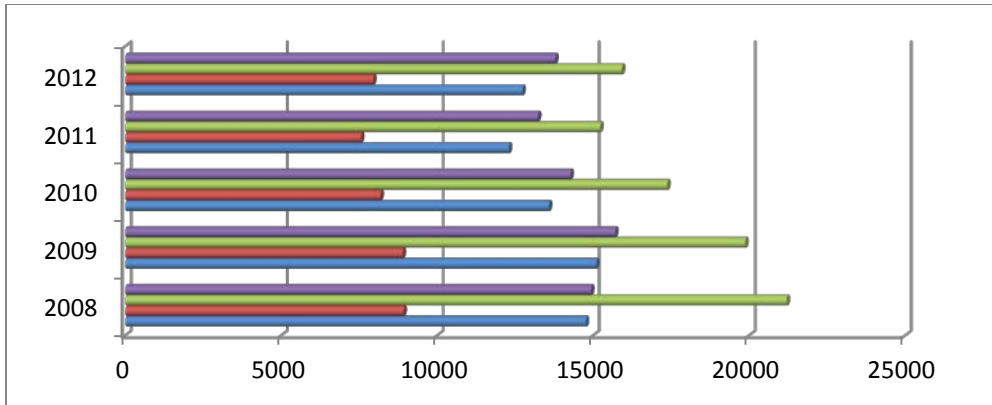


Figure no.3 Evolution of Number of active enterprises in the real estate transaction services, management , architectural and engineering services in the period 2008-2012

Ubiquitous and capillary, using cables, satellites and relays, telecommunications forms the basic infrastructure of a modern economy. Services provided by means of this infrastructure and meant for transmitting information dominate by their value much greater than that of its equipment . The offer of the telecommunications sector includes at the same time, network operation and provision of various services, the distinction between the two categories of activities becoming more accurate by the diversification of the offer and by the change of prevailing ownership type . Convergence between IT services and telecommunications (telematics) is one of the factors that led to the multiplication of facilities offered to an increasingly demanding clientele in terms of the variety and rapidity of provision. The services in question are not provided, necessarily, by the telecom operator but by any company that can access the network controlled in most cases by a single operator.

### The number of active enterprises in telecommunications and informatics

Table no7- number-

NACE Rev.2 (activities of national economy )	Ani				
	2008	2009	2010	2011	2012
<b>Telecommunications</b>	3147	2965	2591	2349	2365
<b>Activities of services in the information technology</b>	7650	8453	7512	7173	7865
<b>Activities of information services</b>	2070	2162	2079	2012	2292

<https://statistici.insse.ro/shop/index.jsp?page=tempo3&lang=ro&ind=INT101P>

In the telecommunications operate in 2012, 2365 companies with nearly 800 fewer than in 2008, and in information technology there are 7865 active companies in 2012, 200 more than in 2008 but fewer than in 2009 when these companies achieve a maximum point. Information services are

increasingly required ,an aspect to be found in the ascending trend of enterprises.

Education and health are two areas of the tertiary sector that have a significant contribution to the development of the Romanian economy and society in the sense that an educated and healthy nation is a quality human resource which contributes to sustained economic growth.

Education is a system of educational goods and ,as a whole, the institutions and activities involved in promoting and disseminating them. Education is concerned about values that relate to human needs. Demand for goods and services in this area is dependent on the intensity of consumer motivation.

From individual spiritual needs that trigger the motivation of consumers of education, we come to global socio-economic pressures for an educational approach.

Health care providers need to recognize that an educated population is rising, consumers are more concerned about their health, ask questions and seek answers. Today, more than ever, consumers are looking for services provided by responsible, market-oriented and customer-oriented organizations.

These types of services are mainly offered in the public system, but increasingly manifest tendency towards decentralization and privatization being two important issues in the public service reform and being considered ways to improve the effectiveness and efficiency of public services. In this respect it is important that government should create a climate conducive to private enterprise development. (DINCA, D. (2004).

### **The number of active enterprises in the field of education, research and health**

Table no8- number-

NACE Rev.2 (activities of national economy )	Ani				
	2008	2009	2010	2011	2012
Education	2681	2979	2846	2804	3200
Research and development	743	804	768	685	684
Other professional, scientific and technical activities	3960	5256	4946	4666	5148
Human health activities	8581	8747	8551	8317	8888
Combined services of health care and social assistance, with accomodation	37	49	62	71	80
Activities of social assistance, without accomodation	59	63	68	72	95
Veterinary activities	1324	1618	1613	1654	1848

<https://statistici.insse.ro/shop/index.jsp?page=tempo3&lang=ro&ind=INT101P>

In education, we are witnessing an increase in the number of institutions, an aspect attributed to the development of the private sector in the preschool, school or university institutions. The enhanced quality of educational services provided by the private sector contributes to increasing private institutions both in education and in health. Research and development institutions decreased continuously, an increase throughout the period under review can be found in the case of combined service of health care and social assistance, with or without accommodation where we have an uptrend even if the number is not a spectacular growth. Firms performing veterinary activities have registered a spectacular increase, in the year 2012 being 1848 firms, with over 500 more than in 2008.

### **Conclusion**

In the current period service users have demands and expectations that are becoming higher and service companies are forced to continue efforts to improve their services. They need to know both the needs and expectations of their customers. Currently there is a striking tendency for stratification of social classes, each class in need of differentiated services according to ability to pay.

We note from the previous analysis that on the Romanian market have appeared companies with most different fields of activity and the already existing ones have taken vast and constant proportions. The increase of the role of the tertiary sector in economic growth is also found in the number of companies in this area that accounts for about 75% of the total enterprises.

The trend of the evolution of the number of firms providing services follows the general trend of the economic activities in the analyzed period, registering growth in 2012 which gives us hope that the period in which the effects of the crisis were manifest has passed and the tertiary sector along with the whole economy starts to recover on the uptrend.

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