A STRATEGIC APPROACH OF THE CONSTRUCTION SECTOR IN ROMANIA

TUDOR NISTORESCU, CRISTINA PLOSCARU *

ABSTRACT: Construction, one of the major economic sector of activity in Europe, was severely affected by the actual global recession, although the impact of the crisis and the moment when it occurred varied widely between the EU Member States. In Romania, the first effects of the economic crisis in the construction sector occurred since early 2009, being visible both in physical volume of construction works and in the volume and value of investments in this sector. The crisis in the construction works had a strong impact on the entire Romanian economy. With the present research paper „A strategic approach of the construction sector in Romania” we aim to highlight the competitive advantage the companies in the field have on the national market. To this end we will use the SWOT model of strategic analysis and M. Porter’s five competitive forces model, in order to highlight the main problems faced by these companies.

KEY WORDS: crisis; construction; strategic analysis; competitive advantage

JEL CLASSIFICATION: M10, M19

1. INTRODUCTION

Construction activity can be regarded as an open system, being a component of the “society” super-system, with multiple links and permanent interaction with the environment from where it receives information, energy, materials, funds and to whom it returns the works done. Whereas the operating environment for construction is evolving, the system can exist only if it is dynamic, i.e. it has the ability to modify in time its connections with the environment, due to the changes in it and to influences transmitted to the system. However, construction activity as an open system is, at the same time, a social-economic system, given that it is not only a set of equipment and manpower, but it also reunites labour means and objectives with the labour force through which it accomplishes its functionality, according to the objectives set.

* Prof., Ph.D., University of Craiova, Romania, tudornistorescu@yahoo.com
Ph.D. Student, University of Craiova, Romania, cristinafpk@yahoo.com
Nistorescu, T.; Ploscaru, C. (Budica, 2005, pp 9-10). At this time Romanian economy needs an engine to restart it. Over the years, this role was played by exports (encouraged by the tax profit of 6%), construction sector, the 16% flat tax on revenues and profits, capital investments, real estate market.

During 2005-2008, the economy happened to go with four engines at once: the flat tax, all kinds of investments, residential construction and real estate market. The results were obvious: Romania recorded the highest rate of growth in the European Union. Today, all engines are stopped. Only the flat rate remained, but its power is too low to accelerate the pace of the national economy. All hopes move towards the construction sector. It said that when a constructor ascends a scaffold, other 20 workers from different sectors have work to do. On the construction sector depend a lot of jobs from the construction material industry and trade, from the pits of sand, limestone, stone, steel industry, glassware, petrochemicals, road, rail and marine transports, education and scientific research. In 2009, construction companies recorded a decrease of 20% to 60% of their turnover. Few were those who could boast of a volume of activity higher than in 2008. Many companies - usually the small ones - had to put up the shutters. Latest data from the National Institute of Statistics, but also the Bulletin prepared by the specialist of the National Bank of Romania, reveal that the construction industry faces further with decreases in all sectors of activity. In January 2010, construction works volume (unadjusted series) decreased with 64.5% compared to December 2009, the impairment being evident in all structural aspects, as follows: capital repair works (-71.6%), new constructions (-64.3%) and maintenance and repair works (-61.7%). (Figure 1).

This regression is actually a result of the sharp decline in investments made in 2009 in this field in Romania. The amount of funds directed to construction last year was of 33.37 billion lei, decreasing by 86.2% compared to 2008. According to opinions expressed by the operators in the field in a survey of NIS, the activity is expected to remain low until April 2010. This idea is also supported by the Central Bank officials, who forecast that construction activity will restrict further, but the improvement of the
negative balance points reveal the probability of a moderation of pace. Also, according to NRB, the outlook for construction area will remain for a longer period.

One can hardly deny that the coming period won’t be extremely difficult for the entire construction sector, but one should not overlook another important issue: the economic crisis has taken down many prices. Construction materials are cheaper today than in 2008. Land prices have fallen substantially, and manufacturers have reduced costs and share profits. In a word, in terms of material and labour costs, it is the ideal time for investments. According to construction experts forecast, in late 2010, the construction industry will be brought to life.

2. PORTER MODEL ANALYSIS OF THE CONSTRUCTION SECTOR

The diagnosis of the external environment was done with Porter’s five competitive forces model, namely: threat of entry, supplier power, threat of substitutes, buyer power and rivalry among existing firms.

Threat of entry. Residential constructors intensified their activity since 2005 with the opening of people’s access to mortgage. Romanian adhesion to the UE led, in recent years, to a real estate investment growth and implicitly a growth of residential developed by foreign investors. This situation is reflected in the numbers of newly built houses, which has doubled in the past three years. According to NIS, at the end of 2008 over 143,000 were being built. Most of newly built houses have at least 3 bedrooms and are built by private investors or individuals. 2009 registered a decrease in the number of homes compared to 2008. The distribution of finished houses finance funds reveals that, compared to 2008, in 2009, the number of dwellings built from private funds decreased with 4545, and the number of dwellings built from public funds increased by 1232 dwellings.

![Figure 2. Finished dwellings on development regions](Source: National Institute of Statistics)

The analysis of new dwellings construction highlights an increase in their share in rural areas both in 2009 and in 2008, with the mention that in 2009, compared to 2008, it was recorded a decrease of 2.0 percentage points.
Table 1. Finished dwellings on residential areas and funding sources

<table>
<thead>
<tr>
<th>Finished dwellings (Number)</th>
<th>Structure (%)</th>
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<tbody>
<tr>
<td></td>
<td>Year 2008</td>
</tr>
<tr>
<td></td>
<td>Year 2009</td>
</tr>
<tr>
<td>TOTAL</td>
<td>64414</td>
</tr>
<tr>
<td>Urban area</td>
<td>30665</td>
</tr>
<tr>
<td>Rural area</td>
<td>33749</td>
</tr>
<tr>
<td>from total:</td>
<td></td>
</tr>
<tr>
<td>Private funds</td>
<td>59955</td>
</tr>
<tr>
<td>Public funds</td>
<td>4459</td>
</tr>
</tbody>
</table>

Source: National Institute of Statistics

Developer’s business model is based on the real estate structure replacement of cost principle. When the market value of buildings in a given area exceeds the cost of their building from scratch, real estate developers will invest in that area. The major risk of this activity is that the production is stock-oriented, and the gradual selling of dwellings before completion is difficult during the periods of price decreases. To mitigate this risk, most developers divide large projects on construction phases in which houses are gradually given into use. Time between the date of investment commencement and project completion is generally high enough to constitute an element of uncertainty. Trying to eliminate some of the risks posed by large gaps in the construction industry and in order to secure some capital necessary for performing the investment, real estate developers sell out apartments when they are in an early phase of project. This generates on the market transactions with apartments that did not exist yet. Their lower prices incorporate, however, risks that the developer does not wish to assume.

Residential construction market entry barriers can be divided into two categories: natural: about the level of capitalization and necessary know-how; administrative: related to permits and licenses necessary for carrying on the activity. Natural barriers level is relatively modest on national scale, at least relative to other economic sectors. The capitalization rate necessary for becoming real estate developer is low enough to allow a large number of participants, and know-how is not a problem. Administrative barriers, in contrast, are relatively high, as shown by the analysis of the World Bank. The main problem is related to the high length of time needed to obtain the permits required to operate a building. (Table 2).

Table 2. Obtaining construction permits

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<thead>
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<th>Romania</th>
<th>OECD Member States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedures number</td>
<td>17</td>
<td>15,4</td>
</tr>
<tr>
<td>Duration in days</td>
<td>243</td>
<td>157</td>
</tr>
<tr>
<td>Cost as percentage of average annual income per capita</td>
<td>87,9</td>
<td>56,1</td>
</tr>
<tr>
<td>Place in world rankings</td>
<td>91</td>
<td></td>
</tr>
</tbody>
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Source: World Bank - Doing Business 2010 - Romania
In addition, high levels of bureaucracy (especially duration) constitutes a source of economic inefficiency, by enhancing existing gaps in the response that the offer can provide to new dwellings demand.

**Supplier negotiation power.** Building materials market was estimated at 3 billion Euro in 2008, depending directly on developments in the construction sector. With the funds still being blocked, in 2009 the construction market declined by up to 15%, estimates the National Union of Romanian Employers (NURE). Experts consider that the most affected segments of the construction materials industry were cement, masonry bodies, thermal insulation, and to a lesser extent finishes and coverings. Construction material market in 2009 accounted for half of the construction industry, registering a value of approximately six billion Euro for the domestic production and 2.2 billion for imports.

Real estate market collapse, low construction boom, largely “guilty” for the economic growth in recent years, but also the moderation of investments led to reactions on the construction materials market which registered decreases up to 40-50% compared to previous years. But the decrease was expected because last year manufacturers steadily increased their prices, without objective justification, but only because the market could bear higher prices without the number of customers being affected. If the price of construction materials increased to alarming proportions in previous years, now there is a reverse trend. Thus, although manufacturers say that from the factory gate materials leave at the same price as in previous years, distributors and retailers have dropped their fabulous additions and prefer to sell at an acceptable price, not risking remaining with merchandise in stock. They say that the prices of cement, rebar iron and brick have reached levels close to production costs, below which it is impossible to drop. So iron’s price dropped from 4.5 lei to 2.1-2.6 lei/kilo from last summer until now, and cement dropped from over 40 lei per bag to about 25.

Alarmed due to sales declines recorder lately, construction materials dealers compete in alluring offers. But even if the offers are tempting, buyers are sceptical when it comes to investments, be it as small as possible, and they calculate carefully their every penny, especially since many were left without jobs, which is “due” to the more and more present financial crisis that has upset their plans. Pro BCA representatives, an association that brings together the biggest BCA manufacturers in Romania, want to meet in an employers association the largest construction companies. Pro BCA owns 70% of the specific market (worth about 200 million Euros) and brings together the following companies: Macon, Celco, Soceram, Ecoblock, Somaco Grup Prefabricate, Xella Pro and Alba Aluminiu. According to manufacturers, the economic crisis will reach its peak between October 2009 and April 2010, and a real recovery will only take place in 2011. According to companies’ representatives, the legislation gives big headaches for those who have money to be recovered: the law of insolvency, for example, allows firms to continue their activity, without paying some taxes.

**Threat of substitutes.** People always wanted to save money, and wanted to invest in things they can use immediately. Performing construction with heavy materials, with high humidity and executed on long term, must belong to the past, because it brings dissatisfaction both to the constructor and to the beneficiary. At this time in Romania constructions are mostly made of brick and concrete, which involves
some disadvantages: long execution time; large amounts of materials put in work and to transport; wet technological processes; large number of workers.

According to studies made by construction authorities, in our country, buildings made of concrete and bricks started to decay, their rehabilitation needing a higher grade of execution, which is being added to the high necessity of investments in construction. Polish Ministry of Planning and Construction reveals in “Construction Market” that in concrete and brick construction sector, the volume of works has dropped from 66% in 1989 to 38% in 1994. At the same time it is being optimistic concerning prefabricated parts with steel structure.

A technology able to reduce these disadvantages would be both in the favour of the constructor and of the beneficiary. If a smaller price is added, we can speak of great advantages. The new technology consists of structures made of: light zinc profiles as structural frame; interior and exterior walls placated with OSB (resembling to 6-16 mm PAL) and gypsum wall-boards and thermal insulation made of mineral wool or polyurethane; roofs with framework and slate hydro-insulating boards.

The advantages of this technology, which brings three great qualities: fast execution, small price on square meter built and high seismic resistance, are also extending over the social field as follows:

- **Fast capital flow** given by the state for the construction of dwellings. If the work is executed in 3 months instead of 24 months, like in classic constructions, it means that, at the same credit value, we can build eight times more constructions;
- **Credit encouragement** - the work is accomplished in 3 months, which means in the bank’s grace period for paying back the loan. After three month, the work being done, the beneficiary starts his works, therefore he can afford to pay the loan, having revenues from the completed investment;
- There can be performed works of over ascension on the roof of old apartment buildings. There’s no need for foundations, construction site and exterior fittings. Removing the old hydro insulation, which is 90 tons, living spaces with 60 tons are being executed;
- **Works performance does not imply wet processes**, therefore investments can be made on a period of 10-11 a year, compared to 8 months in the classic solution, but keeping in mind the cold season;
- **Very small execution price**, accessible to a wide range of beneficiaries (price/m² - 250$, compared to 350-400$ in the classic solution: concrete, bricks or wood) and with the same resistance conditions and thermal comfort.

With the new technology we can build a house in two-three months and at a price that is almost half of the one resulted by using the old technology.

**Buyer power.** The Government approved the “FIRST HOUSE” program whose declarative purpose was to offer support to those who needed to buy a house, but don’t have enough funds or are not eligible. In the past 6 months of 2009, and especially amid the launch of this program, over 65% of developers and agents have lowered the acquisition prices of the buildings between 5 to 20%, says a study on the real estate market. According to the study “The real estate market - signals from the players” - made by the real estate website TopEstate.ro, the downward trend of prices, in this period, was also felt in the segment of real estate properties in a project stage.
Thus, 61.4% of sellers have dropped their prices between 5 to 20% or even more. On the other hand, 33.07% of the sellers have allowed the increase of prices by up to 20%. The launching of the “First House” program determined a series of changes on the offer level. Therefore, 33.07% of the sellers have thought of some special promotional packages, while 21.26% have dropped their prices so that clients could benefit from the “First House” program. But there are also developers - 37% - for whom the “First House” program did not bring any change in the initial offers, be it for administrative reasons, or just because their target clients are not among those who access a credit through the “First House” program.

If “First House” has determined massive changes among offerers, we cannot say the same thing about the level of demand. Approximately 64.71% demanders still prefer two-room dwellings, with prices that don’t overpass the threshold warranted by the state - 60,000 Euro On the second place in the buyers’ preferences are the one-room dwellings - 19.12%, followed by three-room dwellings - 9.56%. Only 0.74% of clients opt for a four-room apartment. It is noteworthy that a percentage of 5.88% of real estate clients from the first 6 months of the year turned to the purchase of houses. (www.programul-primacasa.ro). The executive has decided that after February 15, 2010 „First House” program should have a new formula by which to begin building new dwellings, without abandoning the support for the purchase of completed dwellings, so that, a revival of the construction market, severely affected by the economic crisis, could to be possible.

The Government approved at the Government Meeting of February 17, 2010, a guaranteed limit of 700 million Euro for the “First House” program in 2010 and the increase of the guarantee for new houses up to 70,000 Euro For those who associate in order to build dwellings, the guarantee was set to 75,000 Euro This way, even if the guarantee for those who want to buy already built houses or partly finished houses might rise to 80,000 Euro, this thing hasn’t happened yet, the maximum amount guaranteed by the State remaining at 60,000 Euro. To see what effect the Government’s decision had on the market, the specialists from www.MagazinulDeCase.ro compared the number of houses with prices raging from 60,000 Euro to 80,000 Euro, for sale from January 7 to February 15, 2010 with those for offered from October 7 to November 15, 2009.

Data obtained from the analysis made by the real estate portal have shown that between January 7 - February 15, 2010, in Bucharest, 886 buildings were put on sale with more than 11% than during October 7 - November 17, 2009, when 798 dwellings were put on sale. Between February 15 and February 17, 2010, at which time no one knew how the government program will be changed, 107 dwellings were put on sale with prices within the limits showed above. For Ilfov County, in the same period, the growth was of 21%, reaching from 76 to 92 dwellings offered. Also an increase in the number of dwellings was recorded for some of the most important counties. Between January 7 and February 15, 2010, in Timis, the rise of dwellings’ number with prices raging from 60,000 to 80,000 Euro, was of 69%, in Sibiu of 100%, in Brasov of 49%, while in Dolj was of 275%. (www.9am.ro).
Rivalry among existing companies. Romanian companies should understand that, from January 1, 2007, began the greatest test of the Romanian economy, which is to be able to face competition, straight, with well defined rules, but where no one forgive anyone. For all players of the construction market, 2009 was the year of the battle for customers. In the absence of large infrastructure projects, without real support from the authorities who didn't allocate the promised funds to stimulate and recover activities in this sector, and also due to the freezing of real estate projects, construction companies faced with, perhaps, the toughest competition in recent decades. “2009 was the year of the battle for customers in the construction materials sector. With so few large projects, we led a price war, and competition was very fierce”, explained Rohan, at the conference “Romania under construction”, organized by The Money Channel. According to data provided by chief of Carpatcement, prices were directly affected by this situation: those of producers have fallen by about 5-10%, concrete prices have fallen by about 60-70%, the same percentage of reduction being valid for the prices on the sacks market.

Regarding 2010, it could become the price dumping year for public auctions, after 2009 brought many companies in the industry on the verge of despair. Representatives of the Ministry of Regional Development and Tourism (MRDT) claim that soon, cost standards will be set for every kind of public work, in order to avoid additional costs of projects. MRDT has decided that any contract won from public auctions can not be increased by additional acts, with more than 10% - and this only on the advice of technical and economic council of the ministry. MDTR also intends for the construction companies abusing the appeals to be disqualified at future auctions of the institution.

Another problem reported by the Construction Employers is that local companies are discriminated in terms of winning the auction of large projects financed by the state. This is because the tender book requires experience in similar works in the last five years, criterion that local companies cannot meet. For 2010, most construction market players have outlined the objective of maintaining or slightly adjusting the business level of last year. Depending on the operating segment, companies have prepared for this year several measures aimed mainly to focus on certain products or types of customers in order to boost the activity.

Holcim Romania recorded in 2009, a turnover of 250 million Euro (with 33% less that in 2008) and for 2010 it is expected to decrease by another 5% compared to 2009. The company reported last year, decreases in all segments of activity, as follows: concrete sales dropped with 50%, deliveries of aggregates - with 28%, and cement - with 19%. Henkel Romania recorded in 2009 a turnover of about 571 million lei (approximately 135 million Euro). The company invested further in marketing, promoting key brands and attractive promotional packages offered to customers. Best product categories within Adhesives Division in 2009, were those related to thermal (Ceresit Ceretherm) - plaster, adhesives, primers- and also Ceresit polishing plaster coat. In early 2010, the company acquired the land for the third adhesives production unit in Romania, in Roznov, Neamt County. Currently, Henkel owns in our country two production units for construction adhesives, one in Pantelimon, and the second in Campia Turzii, Cluj County. Henkel's total investments value in Romania, in
production capacity, exceeds 30 million Euros. With the construction sector recovery, the company will confirm the investment plans for the third production unit in Romania.

The company Baxi Romania recorded in 2009 a turnover of 14 million lei, decreasing by 33% compared to 2008, while the economic crisis deepened, and implicitly, the growing pace of the residential construction market. The company started, in the second semester of the last year, its own “Heating system wreck” program, where those who want to replace individual installations receive a scrapping bonus of up to 750 lei. This way, during September - December 2009, the company sold 600 heating systems through this program, representing 15% of the last year's turnover. For this year, the company representatives expect to achieve a turnover of 4.5 million Euro and a 30% increase in sales from Wreck program, 10,300 units estimated to be delivered in 2010. Since March 2010, the company extended the program towards the industrial commercial segment, and the first scrapping bonuses offered are between 3,000 lei and 7,000 lei. The program will run until the end of 2010, and the company estimates that more than 3,000 heating systems will be nationally replaced.

The Romanian subsidiary of Ridge Tool Company - part of the tools division of the North American Emerson Corporation - made in 2009, a turnover of about 1 million dollars, a level similar to that achieved in 2008. Thus, if before the financial crisis most revenues (over 70%) came from orders for applications in civil engineering (for plumbing installations), now their share has decreased significantly, being matched by that of products for urban areas.

3. SWOT ANALYSIS OF THE CONSTRUCTION SECTOR

SWOT analysis is one of the most used managerial tools for determining the “health” and position occupied by an enterprise. Therefore, it is an important step in the process of substantiation and development of strategies. When reference is made to this tool, it highlights the fact that such a study is made both in the internal and external environment, which involves the fact that the company is a closed system.

In the SWOT analysis the focus drops on the most comprehensive and realistic identifications of strengths, weaknesses, opportunities and threats specific to the organization or to the domain being investigated. On the other hand, modern organizational approaches assume that the organization is an open system, so marking an internal-external border may be counterproductive for the analytical purposes of the tool discussed. (Bacanu, 2006, p.134)

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<th>STRENGTHS</th>
<th>WEAKNESSES</th>
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<tr>
<td>1. High degree of privatization of the</td>
<td>1. The construction market is still immature</td>
</tr>
<tr>
<td>construction sector: 99.51% of the construction</td>
<td>(low concentration level) with a constant motion</td>
</tr>
<tr>
<td>companies with private capital in 2003 and</td>
<td>of quantitative and qualitative construction</td>
</tr>
<tr>
<td>99.87% in 2007. M</td>
<td>companies (many bankruptcies or closures). M</td>
</tr>
<tr>
<td>2. Increasing the attractiveness of the</td>
<td>2. “Politics” interference in economic is felt</td>
</tr>
<tr>
<td>construction sector by increasing “profit</td>
<td>also on the construction market, especially in</td>
</tr>
<tr>
<td>margins” and the gross average wage in the</td>
<td>contracts with public funds (including EU). M</td>
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sector, coupled with increased labour productivity, which easily outpaced wage increases. M
3. The existence of some examples of “best practices” of social partnership in the construction sector (Construction Sector Committee, Constructors' Social House, Craft House of Constructors, etc.) M
4. The existence of a core companies, with human resources department (or similar), which supports continuous training (CT) and performs internal/external training programs. M
5. Dynamic growth in average wages in construction coupled with inflation drop. L
3. The construction market is a closed one, not transparent in terms of the construction companies listed on the stock market. L
4. Lack of qualified workforce in the construction sector, due to more attractive wages on the Community market. H
5. In the construction sector appear the most cases of “unofficial” payments for the work performed by employees (“grey” work or work “under the table”) M
6. Poor development of Work Safety and Security Systems. M
7. Insufficient infrastructure works provided that the majority of works performed by the Romanian construction companies have the status of multinational subcontractor. H
8. Frequent delays in payments of construction works with funds from the state and local budgets. M
9. Construction VAT is still high, putting a barrier on sector's development, paying the VAT when issuing the invoice (not when collecting) it is a big financial barrier. M
10. Still high financial costs due to interests of some banks, because of the lack of liquidity in the banking system. M
11. Labour productivity is still low compared to the average EU value. H
12. Low expenses, small investments and lack of interest in rising the qualification, for CT. M

**OPPORTUNITIES**

1. The high potential of construction market development including aligning to the European Union requirements (thermal rehabilitation, environment protection, etc.) H
2. Economic development requires attention to the construction sector, with priority on infrastructure development. M
3. Development of construction projects (particularly infrastructure) with technical and financial assistance from Community funds. H
4. Flexibility and fragmentation of the construction market allows the free entry of new players. L
5. The return of the indigenous labour force, with experience gained on the community market with a new labor “culture”. M
6. Credit cost reduction amid the BNR standard interest reduction and compulsory minimum reserves for banks at the National Bank. M

**THREATS**

1. Slowdown in the development of the construction sector over recent years, coupled with lower economic growth in general. H
2. Economic uncertainty reflected also in the construction sector, caused by frequent changes in legislation (e.g. Law no. 50.1991 authorizing construction, public procurement, etc.) M
3. Reduced access to financing as a result of the economic and financial crisis can lead to a slower growth of the construction sector in coming years. M
4. Lack of investment in continuous training amid continuing refurbishment of the sector. M
5. Lack of regulations to help local companies compete with multinational ones. M
4. CONCLUSIONS

Construction, one of the most important economic sectors of activity in Europe, was affected by the current global recession, although the crisis impact and the moment when it occurred varied widely between the European Union Member States. In many countries, there were clear indications of a decline in production and employment in the second half of 2008. Some parts of the construction sector, like residential real estate constructions, have been affected more severely than others. Moreover, due to the domino effect, construction materials manufacturers reported a decrease in production. Because of the gap between production decline and jobs reduction, the effects of the decline were not yet fully felt.

In Romania, the first effects of the economic crisis in the construction industry occurred since early 2009, being visible both in the physical volume of construction works and in the value of investments in the sector. The crisis in the construction sector had a strong impact on the entire Romanian economy. Unfortunately, 2009 didn’t provide encouraging signals. Construction companies recorded a drop of 20% to 60% of their turnover. Few were those who managed a volume of activity higher than in 2008. Many companies - usually between the small ones - were forced to close their business. The trend for 2010 is rather neutral, yet there were no signs and arguments for an immediate improvement of the construction market. Determinant factors of such a state are actually hard to identify, the more difficult being separating the influence of each. Sure, the economic circumstances can’t be ignored, but obviously it is not the only factor responsible for the crisis in the construction sector.

If we focus on Romania, a special attention should be paid to legal-political and social factors. The government had failed to fulfil a series of promises including the provision of 10 billion Euro for investments, non-taxation for reinvested profit, VAT payment on receipt if invoices, etc. Also, the measures taken by the Government, including programs like “First House”, with intense media coverage but with late effects on the construction sector, did not meet the expectations of most constructors. Turning to social factors, although most employers seek skilled workers, and the wages offered tend to increase, we cannot say that there is a massive demand for qualified personnel as shown by the low concerns of construction companies regarding continuous training. Reducing labour costs through wage freeze and allowance suspension could be offset by investments in continuous training, providing the qualified human support for the reconstruction of the construction sector after the
economic crisis. Judging from another perspective, the current decline in construction is also an opportunity for developers, entrepreneurs, investors, banks and consultants to rethink their strategies and to determine where and when the mistake was made and how to improve their performance, effectiveness and productivity in construction design. A significant number of projects suffer from lack of quality, delays and cost overruns, lack of strategic approach, applying the best practices in the industry and international standards in order to effectively manage the construction process from early stage, to completion.

Consultants in the field highlight that, often, one of the main reasons for cost overruns during the construction process, is the lack of prudence and risk assessment at the beginning of the project, when development budgets were underestimated, with limited or no provisions for contingencies and reserves for works not thoroughly detailed. These shortcomings, combined with the lack of interface management between architects, engineers, mechanics and electricians, eventually led to changes of the contract’s object and costs and caused significant delays on site.

Passing from the macroeconomic to the microeconomic approach, we can say that especially due to those problems of strategic management approach, Romanian companies from the construction sector remain among the most vulnerable to the crisis, as evidenced in the SWOT analysis, which I have inserted in the paper - weaknesses and threats, both in terms of legislation and economic and social measures for reviving the economy and therefore the construction sector, that the Government delays to implement.

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