

HOW THE MOST PROFITABLE COMPANIES OPERATING IN ROMANIA EVOLVED IN THE PERIOD 2017-2020

Professor Ph.D., Sorin-George TOMA

Faculty of Administration and Business, University of Bucharest, Romania
E-mail: tomagorin62@yahoo.com

Lecturer Ph.D., Cătălin GRĂDINARU

Faculty of Administration and Business, University of Bucharest, Romania

Assistant Professor Ph.D., Ștefan CATANĂ

Faculty of Administration and Business, University of Bucharest, Romania

Abstract: *After the fall of the Berlin Wall, the former East-European communist countries made significant efforts to shift from a centrally planned economic system to a market economic system. The challenge of surpassing their economic backwardness in comparison with the Western countries imposed the design and implementation of several key processes such as privatisation or liberalisation. The objectives of the paper are to briefly define the concepts of company and profit and analyse the evolution of the most profitable companies operating in Romania in the period 2017-2020. To reach these objectives the authors used a quantitative research methodology based on secondary data research. The results of the paper show the existence of strong competition among Romanian and foreign companies for economic supremacy in terms of profit.*

Keywords: *company, profit, business, Romania.*

JEL Classification: *L29, M00.*

1. Introduction

Signed in 1939, the Ribbentrop-Molotov pact had tremendous effects on European history. Several countries suffered the loss of territories, such as Poland and Romania (Gross, 1989). The end of the Second World War consecrated the clear distinction between two separate economic systems and political regimes: capitalism and communism. The communist system was seen as “an exchange process between two partners: the communist leaders and the people” (Yong, 1992). It provided few of the main civil liberties (e.g., an independent press, free speech) specific to the capitalist system but offered its citizens a rather high level of social welfare (White, 1986).

In Central and Eastern Europe (CEE), the populations of several countries (e.g., Poland, Romania, Hungary, Czechoslovakia) were constrained to live behind the so-called “Iron Curtain” (Naimark and Gibianskii, 2018). The Union of Soviet Socialist Republics (USSR) imposed political leadership in all these countries. However, there were different levels of totalitarianism that held captive significant masses of people in these countries and specific postwar paths of economic reforms and social modernization (Batt, 1991).

At the end of 1947, the Romanian government led by the communist Petru Groza forced King Michael of Romania to resign. Soon thereafter a new constitution was adopted in 1948 and the Romanian People’s Republic was proclaimed. As in the USSR, the communists took political power and rapidly introduced a totalitarian regime in Romania. The Romanian Communist Party (RCP) became the single political party in Romania. Gheorghe Gheorghiu-Dej, appointed the leader of RCP by Joseph Vissarionovich Stalin, designed and began the implementation of a policy of industrialization and, therefore, endured later virulent criticism from the part of the USSR (Stanciu, 2013).

In 1965, a new constitution heralded the new name of the country, the Socialist Republic of Romania. Under Nicolae Ceausescu’s rule, Romania made huge efforts to pass from an agricultural country to an industrialized one. In this respect, approximately 50% of the total investments were designated for the industrial sector at the end of the 1970s (Staar, 1982). The central planning economic system was designed to develop the industrial base of the Romanian economy as rapid industrialization constituted a strategic

aim of the communist regime. This is why impressive levels of investment growth were sustained by the communist regime (Pop, 2006). Thus, “the "command economy" model proved itself to be a successful vehicle for mobilizing resources for the transformation from agricultural to industrial society” (Crowther, 1988, p.148).

After the breakdown of the communist regimes in CEE and the fall of the Berlin Wall the capitalist system became quasi-omnipresent all over the world. However, many problems arise with regard to restructuring the economy and privatising the state-owned enterprises in the former communist countries (Williams and Reuten, 1993). The deteriorating economic situation was inherent in the early stages of the transition to democratic capitalism (Duch, 1995) and a market economy.

In Romania, the violent collapse of the Ceausescu regime in December 1989 contrasted with the “velvet revolutions” from other countries located in CEE. The process of consolidating political democracy and creating a market economy proved to be slower than in other former communist countries. It is said that after the first post-communist decade Romania found itself “lagging behind other CEE countries in implementing the reforms necessary to complete the transition from a one-party state and command economy to a pluralist democracy and a fully functioning market economy” (Light and Phinnemore, 2001, p.5). In its endeavour to overcome significant economic backwardness in comparison with the Western countries, Romania finally understood the need to follow the path of privatisation and liberalization. Consequently, private business organizations, especially small and medium-sized enterprises (SMEs), emerged and developed in various domains, such as commerce, construction, services and industry. At the end of 1990, around 100,000 SMEs operated in Romania (Ben-Ner and Montias, 1991) alongside big companies.

The objectives of the paper are to briefly define the concepts of company and profit and analyse the evolution of the most profitable companies operating in Romania in the period 2017-2020. In this view, a quantitative research method was used. The structure of the paper is as follows. The literature review is illustrated in the next chapter. The third chapter presents the research methodology. Results and discussion are displayed in the following chapter. The last part of the paper exhibits the conclusions.

2. Literature review

During the time, the concept of company has gained attention from a plethora of people such as researchers and practitioners. It has emerged a long time ago and been studied from various perspectives. Without an agreed-upon definition, the company is:

- “a form of organizing a business, with a legal personality distinct from the individuals taking part in it” (Black, 1997, p.69).
- “a business organization, a group of people organised to buy, sell or provide a service, usually for profit” (Collin, 2006, p.73).
- “a formal business enterprise that is set up to make a profit” (US AG 24, 2008, p.11).
- “a corporate enterprise that has a legal identity separate from that of its members; it operates as one single unit, in the success of which all the members participate” (Law, 2016, p.1).
- “the legal entity that is used when people set up a business” (British Council, 2019, p.1).
- “a legal entity formed by a group of individuals to engage in and operate a business- commercial or industrial- enterprise” that “may be organized in various ways for tax and financial liability purposes depending on the corporate law of its jurisdiction” (Kenton, 2021, p.1).

- „an association of persons for carrying on a commercial or industrial enterprise” (Merriam-Webster Dictionary, 2022a, p.1).
- „a business organization that makes, buys, or sells goods or provides services in exchange for money” (The Britannica Dictionary, 2022a, p.1).

In short, the term “company” is defined in various ways as it seems to be a rather complex notion. Based on these above-mentioned definitions several of its features may be underlined as follows:

- As a business organization, a company makes products and/or provides services, sells or buys them.
- Through the deployment of commercial activities a company makes money and aims at obtaining profit.
- As an association of people, a company has a legal personality and identity distinct from that of its members.

In its turn, profit is defined as:

- “the income which accrues to the entrepreneur, i.e. residual left after payment of all opportunity costs to the inputs he employs” (Bannock et al., 1977, p.331).
- “an excess of the receipts over the spending of a business during any period” that “includes (Black, 1997, p.373).
- “money gained from a sale which is more than the money spent on making the item sold or on providing the service offered” (Collin, 2006, p.318).
- „the excess of returns over expenditure in a transaction or series of transactions” or „the compensation accruing to entrepreneurs for the assumption of risk in business enterprise as distinguished from wages or rent” (Merriam-Webster Dictionary, 2022b, p.1)
- „money that is made in a business, through investing, etc., after all the costs and expenses are paid: a financial gain” (The Britannica Dictionary, 2022b, p.1).

In essence, the term “profit” designates the financial gain of a company after the selling of products and/or services and the payment of all its costs and expenses.

The roots of the market economy appeared in Romania at the beginning of the 1990s. New values and ideas about “privatisation, restructuring, market orientation, strategic management, individual responsibility and entrepreneurialism” (Kelemen, 1999, p.200) became predominant (Marinescu and Toma, 2013; Toma et al., 2015; Grădinaru et al., 2017; Marinescu et al., 2017a; Marinescu et al., 2017b; Tohănean et al., 2018; Grădinaru et al., 2020a). Inspired by illustrious American businessmen and leaders like Sam Walton, Larry Page, Jeff Bezos and Mark Elliott Zuckerberg (Toma, 2013; Săseanu et al., 2014; Toma et al., 2017; Grădinaru et al., 2020b; Catană et al., 2020; Catană et al., 2021), a plethora of entrepreneurs, from both Romania and abroad, established numerous businesses in different fields of activity.

The joint-stock companies and limited liability companies are predominant in the Romanian economy (Toma and Catană, 2022). Alongside the indigenous companies, several subsidiaries of multinational and transnational corporations are operating within the Romanian economic landscape. The evolution of the most profitable of them in the period 2017-2020 is analysed in this paper.

3. Research methodology

In order to attain the objectives of the paper, the authors carried out a quantitative research method through desk research. Thus, they identified, collected, analysed, and

synthesized diverse information from numerous secondary sources of data, such as articles, and books found in both electronic databases and libraries.

4. Results and discussion

This chapter of the paper analyses the evolution of the ten most profitable companies operating in Romania during the period 2017-2020. In 2017, OMV Petrom dominated the top of the largest companies operating in Romania by profit (Table no. 1). Located in Bucharest, it is part of the former Österreichische Mineralölverwaltung Aktiengesellschaft (ÖMV Aktiengesellschaft, renamed OMV in 1995), an Austrian company established in 1956.

Table no. 1. The ten largest companies operating in Romania by profit in 2017

No.	Company	Profit (Mlei)
1	OMV Petrom	2,399.9
2	Romgaz	1,854.7
3	Hidroelectrica	1,359.7
4	Dedeman	889.1
5	Continental Automotive Products	697.5
6	Kaufland România	670.3
7	Transgaz	582.1
8	Automobile-Dacia	539.1
9	Rompetrol Rafinare	418.3
10	Lidl Discount	352.8

Source: *Ciriperu, 2019*

The above-mentioned ten largest companies operate in different domains as follows:

- five companies (OMV Petrom, Romgaz, Hidroelectrica, Transgaz, Rompetrol Rafinare) are from the energy production and distribution sector;
- three companies (Dedeman, Kaufland România, Lidl Discount) are from the retailing sector;
- two companies (Automobile-Dacia, Continental Automotive Products) are from the automotive industry.

In 2018, OMV Petrom remained the largest company operating in Romania by profit (Table no. 2). It was followed by two Romanian state-owned companies: Hidroelectrica and Romgaz.

Table no. 2. The ten largest companies operating in Romania by profit in 2018

No.	Company	Profit (Mlei)
1	OMV Petrom	3,879.7
2	Hidroelectrica	1,939.3
3	Romgaz	1,360.5
4	Dedeman	1,013.1
5	Continental Automotive Systems	852.5
6	Kaufland România	788.7
7	Automobile-Dacia	752.4
8	Continental Automotive Products	581.6
9	Transgaz	495.7
10	Engie România	455.9

Source: *Ciriperu, 2021*

The above-mentioned ten largest companies operate in different domains as follows:

- five companies (OMV Petrom, Hidroelectrica, Romgaz, Transgaz, Engie România) are from the energy production and distribution sector;
- three companies (Continental Automotive Systems, Automobile-Dacia, Continental Automotive Products) are from the automotive industry;
- two companies (Dedeman, Kaufland România) are from the retailing sector.

In 2019, OMV Petrom kept its first place at the top of the largest companies operating in Romania by profit (Table no. 3). It was followed by two Romanian companies: Hidroelectrica and Dedeman.

Table no. 3. The ten largest companies operating in Romania by profit in 2019

No.	Company	Profit (Mlei)
1	OMV Petrom	3,563.6
2	Hidroelectrica	1,386.5
3	Dedeman	1,282.3
4	Romgaz	1,046.4
5	Kaufland România	847.7
6	Automobile-Dacia	662.7
7	Nuclearelectrica	535.7
8	J.T. International România	500.1
9	Lidl Discount	491.4
10	OMV Petrom Marketing	442.8

Source: *Ciriperu, 2022*

The above-mentioned ten largest companies operate in different domains as follows:

- four companies (Dedeman, Kaufland România, Lidl Discount, OMV Petrom Marketing) are from the retailing sector;
- four companies (OMV Petrom, Hidroelectrica, Romgaz, Nuclearelectrica) are from the energy production and distribution sector;
- one company (Automobile-Dacia) is from the automotive industry;
- one company (J.T. International România) is from the tobacco industry.

The year 2020 witnessed a change of the leader: Dedeman became the largest company operating in Romania by profit (Table no. 4). It was followed by Hidroelectrica and OMV Petrom. Located in Bacău, Dedeman activates in the retailing sector. This private company was founded in 1992.

Table no. 4. The ten largest companies operating in Romania by profit in 2020

No.	Company	Profit (Mlei)
1	Dedeman	1,454.4
2	Hidroelectrica	1,451.6
3	OMV Petrom	1,381.6
4	Romgaz	1,278.9
5	Kaufland România	970.4
6	Lidl Discount	756.4
7	Nuclearelectrica	699.3
8	J.T. International România	690.5
9	Engie România	498.4
10	Continental Automotive Products	465.4

Source: *Ciriperu, 2022*

The above-mentioned ten largest companies operate in different domains as follows:

- five companies (Hidroelectrica, OMV Petrom, Romgaz, Nuclearelectrica, Engie România) are from the energy production and distribution sector;
- three companies (Dedeman, Kaufland România, Lidl Discount) are from the retailing sector;
- one company (J.T. International România) is from the tobacco industry;
- one company (Continental Automotive Products) is from the automotive industry.

In sum, the analysis of the evolution of the ten most profitable companies operating in Romania in the period 2017-2020 leads to the following main results:

- Multinational and transnational corporations (e.g., OMV) dominated the Romanian economic landscape.
- OMV Petrom preserved its first position during the period 2017-2019. It was dethroned by Dedeman in 2020.
- The companies from the energy production and distribution sector and the retailing sector dominated the top. They were followed by the companies from the automotive industry and the tobacco industry.

5. Conclusions

Since the collapse of the communist regime in December 1989, the Romanian economy has passed through several phases on its way to a market economy. In this regard, numerous private companies appeared and developed in Romania.

The paper shows that the top of the largest Romanian companies operating in Romania in the period 2017-2020, in terms of profit, has been dominated by the subsidiaries of multinational and transnational corporations. Thus, OMV Petrom, part of OMV Group, has maintained its first position during the period 2017-2019. However, Dedeman succeeded in holding the first position in 2020.

References:

1. Bannock, G., Baxter, R. E., Rees, R., 1977. *The Penguin Dictionary of Economics*. Harmondsworth: Penguin Books.
2. Batt, J., 1991. The end of communist rule in East-Central Europe: A four-country comparison. *Government and Opposition*, 26(3), pp.368-390.
3. Ben-Ner, A. and Montias, J. M., 1991. The introduction of markets in a hypercentralized economy: The case of Romania. *Journal of Economic Perspectives*, 5(4), pp.163-170.
4. Black, J., 1997. *Dictionary of Economics*. Oxford: Oxford University Press.
5. British Council, 2019. *100-word entrepreneurial glossary*. [online] Available at: <<https://lafabrica.umayor.cl/images/entrepreneurship-glossary.pdf>> [Accessed 11 April 2022].
6. Catană, Ș., Grădinaru, C. and Toma, S.-G., 2020. Sam Walton, a visionary entrepreneur. *Network Intelligence Studies*, 16, pp.113-117.
7. Catană, Ș., Toma, S.-G. and Grădinaru, C., 2021. Larry Page and Internet entrepreneurship. *Ovidius University Annals: Economic Sciences Series*, XXI(2), pp.239-243.
8. Ciriperu, D., ed., 2019. *Top 1000 cele mai mari companii din România*. Bucharest: Mediafax Group.
9. Ciriperu, D., ed., 2021. *Top 1000 cele mai mari companii din România*. Bucharest: Mediafax Group.
10. Ciriperu, D., ed., 2022. *Top 1000 cele mai mari companii din România*. Bucharest: Mediafax Group.

11. Collin, P. H., 2006. *Dictionary of Business*. 4th edition. London: A & C Black. [online] Available at: <file:///C:/Users/Admin/Downloads/Dictionary_of_Business.pdf> [Accessed 10 April 2022].
12. Crowther, W. E., 1988. *The Political Economy of Romanian Socialism*. New York, NY: Praeger.
13. Duch, R. M., 1995. Economic chaos and the fragility of democratic transition in former communist regimes. *The Journal of Politics*, 57(1), pp.121-158.
14. Grădinaru, C., Toma, S.-G. and Papuc, R., 2017. Entrepreneurship in the world: The analysis of the Global Entrepreneurship Index in the period 2015-2017. *Ovidius University Annals: Economic Sciences Series*, XVII(2), pp.14-18.
15. Grădinaru, C., Toma, S.-G., Catană, Ș. and Zainea, L. N., 2020a. The National Entrepreneurship Context Index in the period 2018-2020: An overview. *Annals of Constantin Brâncuși University of Târgu Jiu, Economy Series*, 20(5), pp.222-227.
16. Grădinaru, C., Toma, S.-G., Catană, Ș. and Andrișan, G., 2020b. A view on transformational leadership: The case of Jeff Bezos. *Manager*, 31(1), pp.93-100.
17. Gross, J. T., 1989. Social consequences of war: Preliminaries to the study of imposition of communist regimes in East Central Europe. *Eastern European Politics and Societies*, 3(2), pp.198-214.
18. Kelemen, M., 1999. The myth of restructuring, 'competent' managers and the transition to a market economy: A Romanian tale. *British Journal of Management*, 10, pp.199-208.
19. Kenton, W., 2021. *What is a company?* Investopedia, 10.09.2021. [online] Available at: < <https://www.investopedia.com/terms/c/company.asp> > [Accessed 3 April 2022].
20. Law, J., ed., 2016. *A Dictionary of Business and Management*. 6th edition. Oxford: Oxford University Press. [online] Available at: < <https://www.oxfordreference.com/view/10.1093/acref/9780199684984.001.0001/acref-9780199684984-e-1312?rsk=CwmN7J&result=1363> > [Accessed 4 April 2022].
21. Light, D. and Phinnemore, D., eds., 2001. *Post-Communist Romania: Coming to Terms with Transition*. Basingstoke: Palgrave.
22. Marinescu, P. and Toma, S.-G., 2013. Training programs- Training and development alternatives for students. *Procedia Economics and Finance*, 6, pp.306-312.
23. Marinescu, P., Toma, S.-G., Miulescu, G.-F. and Grădinaru, C., 2017a. Entrepreneurship: from education to innovation. *Manager*, 26, pp.146-156.
24. Marinescu, P., Toma, S.G., and Dogaru, I., 2017b. *Acquiring leadership skills through extracurricular activities in the academic environment: The case of the Faculty of Administration and Business, University of Bucharest*. European Conference on Management, Leadership & Governance, pp.306-312. [online] Available at: <<https://www.proquest.com/openview/22dae04f4114faa00517545b58b54532/1.pdf?pq-origsite=gscholar&cbl=1796418>> [Accessed 2 April 2022].
25. Merriam-Webster Dictionary, 2022a. *Company*. [online] Available at: <<https://www.merriam-webster.com/dictionary/company>> [Accessed 1 April 2022].

26. Merriam-Webster Dictionary, 2022b. *Profit*. [online] Available at: <<https://www.merriam-webster.com/dictionary/profit>> [Accessed 1 April 2022].
27. Naimark, N. and Gibianskii, L., eds., 2018. *The Establishment of Communist Regimes in Eastern Europe, 1944-1949*. London: Routledge.
28. Pop, L., 2006. *Democratising Capitalism? The Political Economy of Post-Communist Transformations in Romania, 1989-2001*. Manchester: Manchester University Press.
29. Săseanu, A.-S., Toma, S.-G., Marinescu, P., 2014. Feminine leadership and organisational culture. *Manager*, 19(1), pp.144-150.
30. Staar, R. F., 1982. *Communist Regimes in Eastern Europe*. 4th ed. Stanford, CA: Hoover Institution Press.
31. Stanciu, C., 2013. Communist regimes and historical legitimacy: Polemics regarding the role of the Red Army in Romania at the end of the Second World War. *European Review of History*, 20(3), pp.445-462.
32. The Britannica Dictionary, 2022a. *Company*. [online] Available at: <<https://www.britannica.com/dictionary/company>> [Accessed 7 April 2022].
33. The Britannica Dictionary, 2022b. *Profit*. [online] Available at: <<https://www.britannica.com/dictionary/profit>> [Accessed 7 April 2022].
34. Tohănean, D., Toma, S.-G. and Dumitru, I., 2018. Organizational performance and digitalization in industry 4.0. *Journal of Emerging Trends in Marketing and Management*, 1(1), pp.282-293.
35. Toma, S.-G., 2013. *Economia Întreprinderii*. București: Editura Universității din București.
36. Toma, S.-G., Marinescu, P. and Grădinaru, C., 2015. Strategic planning and strategic thinking. *Revista Economică*, 68(5), pp.168-175.
37. Toma, S.-G., Marinescu, P. and Grădinaru, C., 2017. Successful entrepreneurs: Mark Eliott Zuckerberg. *Manager*, 26, pp.157-162.
38. Toma, S.-G. and Catană, Ș., 2022. The evolution of the largest companies operating in Romania in the period 2016-2020. *Strategii Manageriale*, XIV(2), pp.155-162.
39. US AG 24, 2008. *Business Law Dictionary*. [online] Available at: <https://www.usag24.com/doc/Business_Law_Dictionary_2008.pdf> [Accessed 2 April 2022].
40. Yong, H., 1992. An economic approach to communist regimes. *Kyklos*, 45(3), pp.393-406.
41. White, S., 1986. Economic performance and communist legitimacy. *World Politics*, 38(3), pp.462-482.
42. Williams, M. and Reuten, G., 1993. After the Rectifying Revolution: The contradictions of the mixed economy? *Capital & Class*, 49, pp.77-112.