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Alina HAGIU
Marinela BĂRBULESCU
University of Pitesti
alina.hagiu@upit.ro

Case study

THE COMPETITIVE ADVANTAGE OF NATIONS AND THE PARTICULARITIES OF ROMANIAN COMPANIES

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Abstract

The theory of competitive advantage of Michael Porter stated that national competitive advantage is a reflection of a "diamond" which is running properly and efficiently. But if a developing country like Romania does not have the right conditions for effective functioning of the "diamond", what happens? This is the question to which we try to give an answer within this paper.
In this respect, the paper aims to analyze the theory of competitive advantage of Michael Porter, followed by an identification of the advantages and criticisms of this theory over time. Finally we make a customization of this theory in the context of the competitive environment in Romania.

1. PUROPSE

This study aims to examine the theory of competitive advantage of Michael Porter, followed by an identification of the advantages and criticisms of this theory over time and a customization of this theory in the context of the competitive environment in Romania.

Michael Porter is probably the most known promoter of the notions of competition, competitiveness and competitive advantage, his paper "The Competitive Advantage of Nations" is the basis of many later theories and is the "head book" of many practitioners. This is why we considered necessary and appropriate to introduce in this paper a point of view regarding the "Theory of competitive advantage" by Michael Porter followed by a customization of it in the context of the competitive environment in Romania.

From the analysis performed by Michael Porter on the level of multinational companies, it was revealed that there is a close connection between their success in the world and nation of origin. Therefore, the competitive advantages of the company which records success on international level, in fact reflect, the competitive advantages of the mother nation compared to other nations.

In the case of Romania the opening to international competition and global strategies represent an essential condition for obtaining advantages.

In Romania it was not established yet "a national diamond" of a dynamic development, this standing between the first two stages of development of the competitiveness of a nation defined by Michael Porter, and between that determined by the production factors and that determined by investments.

2. METHODOLOGY

The research was accomplished from a triple perspective, in which the conceptual methodological approach is correlated to the empirical study and to a variety of references to practical actions aiming customization of the Michael Porter's *theory of competitive advantage of nations* in the context of the competitive environment in Romania.

We didn't have omitted to analyze the theory of competitive advantage of Michael Porter, followed by an identification of the advantages and criticisms of this theory over time.

3. THE THOERY OF THE COMPETITIVE ADVANTAGE – GENERAL PRESENTATION

The paper *The competitive advantage of Nation*, of Michael Porter has as main objective the determination of the causes and the factors that lead to the international success of the specialized firms in certain sectors.

The model proposed by Porter in 1989, explains the role of countries in identifying and maintaining competitive advantage of firms in international markets.

The model starts from the following assumptions:

- the country can influence the competitive advantages in a particular industry sector, in which compete with a certain number of firms;
- even for the transnational societies a country can offer different competitive advantages, as an origin country or host country;
- the competitiveness has a dynamic character. Innovations have the role of driving force in this continuous change and determine the firms to abandon the inertia they are used with.

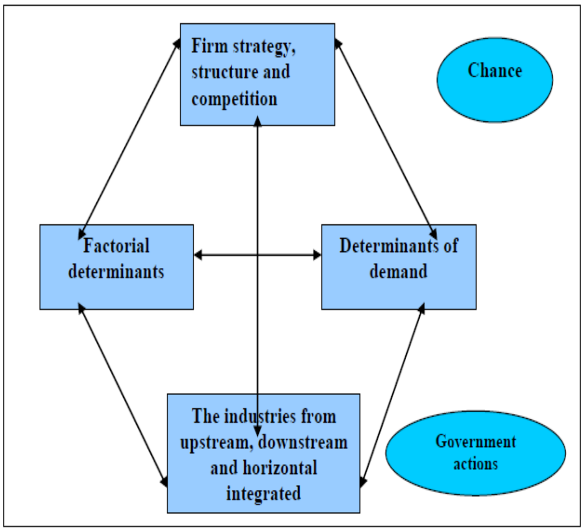

Figure no. 1. The determinants of national competitive advantage

Source: adapted from Tejinder S., Newhouse B. - Determinants of national competitive advantage in a global economy, International Advances in Economic Research, Volume 1, Number 3, 1995, pp. 314;

Having as start point these premises, Porter proposes the permanent identification and straightening of the conditions that generate national competitive advantages.

The so-called "diamond" by Porter includes the following:

- factorial determinants;
- determinants of demand;
- industries from upstream and downstream;
- the strategy and structure of the firms, as well as the competition between them.

The basic components of this system are sometimes influenced by:

- International climate;
- Government action.

Diamond elements are interconnected, so that their evolution depends on the critical mass determined by them on the level of the economy. To be able to develop national policies that can generate economic growth each of these factors should be treated separately.

The firms gain competitive advantage in those places where they can get all this information, respectively in the country where the national diamond is most favourable. To avoid failure, companies should internationalize their activity and try to answer to the demands of the economic environment of a country as it is more complex and dynamic. Porter's diamond represents a composite matrix system that has a different impact on different sectors.

1) The factorial determinants are those that indicate the place of a country from the perspective of the factors of production that are needed to win against competitors in one given industry. Currently, it is not anymore focused on the endowment of a country with factors of production, but on the creation of new factors of production in order to increase competitiveness.

2) Domestic demand **-** has an important role in the formation of competitive advantage. The exigencies manifested in the domestic markets, are those that determine the qualitative level of products. An illustrative example is the German automotive industry, where several global fame companies, have benefited greatly from the exigency of domestic demand. There is a difference between developed countries that impose international standards based on the satisfaction of domestic demand and developing countries that try to align with international standards. If the market is exigent also the producers' efforts to meet these requirements will increase.

3) Industries from upstream and downstream - represent producers of row material and materials necessary to obtain the finished product. If these producers are competitive also to international level they need support to export, because they can bring additional advantages.

4) Firm strategy, structure and competition promoting **-** determine the international competitiveness of firms operating in those sectors in which the objectives are in accordance with the sources of competitive advantage.

Creating and maintaining a competitive advantage, is strictly related to the existence of a real competition which determines the companies to release on the market new products and to identify new markets to encourage the growth. Internal competition is as important as international competition, and it is convenient for all firms, with the condition that they manifest between them a real competition and not an attitude of cooperation. The existence of regulations to stimulate the creation of new firms determines the increase of the competition and contributes in the preservation of the existent competitive advantages.

5) The natural frame and international climate, respectively the natural endowment with factors of production and the legislation in the field of investments.

6) Government action – influence the factors of production through investments or subventions. An important role is the existence of a coherent government action, in order to improve the competitive advantages of the country.

A. The dynamic of the "diamond"

According to Porter's opinion, only countries with a "diamond" that works well have long-term national competitive advantages that contribute to obtain international competitiveness. No state is "equally competitive" in all areas, competitiveness on international level having only those industries that managed firstly to have success on the domestic market characterized by a dynamic competition.

Competitive advantages are the result of a system that continuously self-regulates and self-improves, and which is the ability of a country to increase and improve the advantages.

The dynamic of the creation of national competitive advantage in its theory of the "diamond", is represented by Porter by a number of models, which will be reproduced in the figures 2 and 3.

Each national economy goes through certain stages of development that emphasizes both the sources of international competitive advantage and the size and nature of the industries that record performance. [15]

Michael Porter indentifies four distinct stages of competitive advantages in the frame of the economic growth [13]:

- the stage of the advantages based on factor endowment;
- the stage of the advantages based on investments;
- the stage of advantages based on innovation;
- the stage of the advantages based on national wealth.

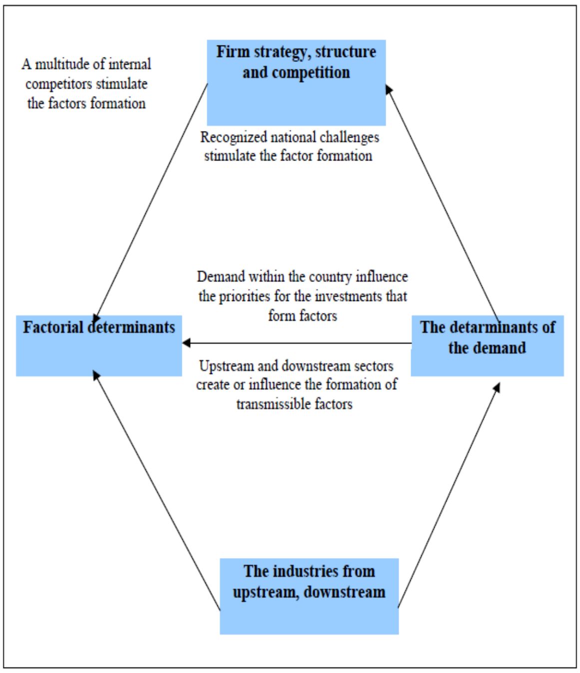

Figure no. 2 Influences on the factorial determinants

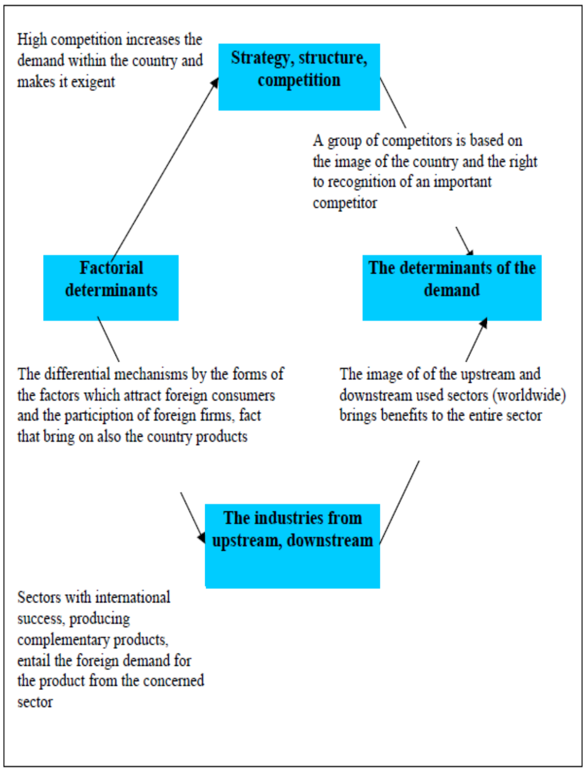

Figure no. 3 Influences on the determinants of the demand

In the initial stage, of the advantages based on factor endowment is assumed that industries that are having success on international level owe almost entirely, the competitive advantage to elementary factors of production. At this stage, the countries are vulnerable both to the exchange rates fluctuations that make prices and demand to be relative, and to the loss of the factorial advantage in the favour of other countries. This stage characterizes all economies at some point in their evolution, and even though the existence of natural resources can sustain a relatively high income per capita for a certain period, this advantage is not a substantial basis for sustained growth in productivity.

In the second stage, of the growth based on investment, national competitive advantage is based on the willingness and ability of a country and its companies to make significant investments. An important role to reach this stage is a nation's ability to absorb and improve advanced manufacturing technologies used internationally and not just apply them, as happened in the first stage.

In the third stage of growth based on innovation, competitive advantages of a country mostly come from the creation of new technologies and manufacturing methods, and increasingly less from the low cost of factors of production. This model has the highest resistance to macroeconomic fluctuations and changes externally, industries being less vulnerable to shocks regarding the fluctuation of the costs and exchange rates. The impulse to innovation should come mainly from the private sector, the role of government being an indirect one manifested through simulation of the creation of more advanced factors, the increase of the domestic demand quality, the encouragement of the formation of new firms, maintaining domestic competition.

As opposed to these three stages that include continuous improvement of the competitive advantages and are associated with the continued growth of economic prosperity, growth stage based on national wealth is a phase that determines in the last phase the decline. An economy cannot be maintained if it is based on a wealth realized in the past, because the investors and managers motivations are changed in ways that compromise both investments and innovation. This is the phase where companies begin to lose the advantage which they hold internationally. The causes of this lost include the bigger attention to maintain the obtained position then its strengthening, the decrease of the motivation to invest, the capacity of some powerful companies to influence the government policy, etc. [8] Both companies and unions are no longer attracted to taking risks because they lose the confidence in competitors. In the meantime, the employee motivation decreases as they begin to learn more. This leads to economic prosperity.

B. The destruction of the "diamond"

In the next phase of investigation, M. Porter tries to discover the reasons that lead to the destruction of a "diamond" success, namely to the loss of national competitive advantage.

Among these reasons set by him, there are included: the worsening of the factorial determinants (as example "brain drain"), the domestic demand is not in accordance with the global demand, changes in technology cause major disadvantages related to specific factors, the lack of supporting sectors such as insufficient or poor qualification of human resources, lack of an adequate infrastructure, etc., loss of the firms flexibility due to the complacency of the entrepreneurial leadership, production capacity replaced with new equipments too early, etc, reducing competition on the domestic market, as a result of too high concentration, government intervention to protect uncompetitive competitors or unjustified interventions of the state, the intervention of unpredictable factors which affect both the economic stability and the political.

C. The importance of the "diamond" to formulate a strategy for integration

Porter also analyzes what effects derived from its theory on the firm strategy. He starts from the premises that "a firm should take into account the creation and maintaining of a competitive advantage, compared with the best competitors in the world." [2]

In addition to general reflections on how companies can gain or maintain competitive advantages, M. Porter offers a series of possible actions that could improve their businesses and to stimulate their international competitiveness.

Firstly, to achieve a successful internationalization strategy, it should be analyzed the international competition. In this case, you can use the "diamond" to determine the advantages and disadvantages of competitors.

The particularities of each nation make possible the realisation of predictions regarding the probably behaviour evolution of the firms that are in competition.

The retrieval on the intern level of the support point of a company, provide both equal chances for international success in all areas and the possibility to use "the diamond" to select areas and segments of sectors, for which the country has a favourable situation.

In the case of the internationalization strategy, M. Porter proposes to be made accessible selective advantages in other countries. A global strategy cannot really replace a week support point, in the country of origin. However the potential to innovate abroad can stimulate further development of new advantages. In addition, the firm should have tried to serve demanding customers and markets, to expose itself to a policy of innovations across the globe.

The use of the advantages that come from basis factors abroad, and the achieving of a production worldwide can improve the company's position in international competition. In the meantime the procurement internationalization of funds, as well as the research and development, often creates advantages in the international competition. M. Porter believes that international takeovers and strategic alliances can facilitate the access to foreign markets and specialized selective knowledge.

3. CRYTICAL ANALYSES REGARDING THE EXPERTISE OF THE COMPETITIVE ADVANTAGE OF NATIONAS THEORY ON THE CONDITIONS AND PARTICULARITIES OF ROMANIAN FIRMS

Since its appearance, The Theory of Competitive Advantage of Nations was seen as a paper that constitute a bridge between the literature in the field of strategic management and international economy, and offers the date that are needed to implement a national policy based on competitiveness.

In time there were a series of reservations concerning this book, materialized mainly through:

- ambiguities regarding the determinant factors of trade;
- the existence of some lacks in terms of methodology and methods of analysis;
- the existence of some arguments that could reject the determinant assertion o the nucleus of the Competitive Advantage of Nations;
- the confusion appeared in respecting the success analysis objective as a result of explaining the level of success of an industry in the attempt to increase the market share.

There are also cases in which can be obtain prosperity, even the respective nation is not "promoter of innovation" and the diamond is not necessary in that place where there are industries with international success, and the performed direct foreign investments do not show the lack of competitiveness or low national productivity. The initiators of this idea started from a list based on SWOT analysis of their economies, but this is not e relevant element to implement an adequate policy. So, mainly the developing countries were encouraged to promote policies that are not always favourable.

Some of the M. Porter critics said that he, generalized inadequate the experience of United Stated of America, through confusion between the competitiveness on the level of industry and the national trade.

The main objective of the Competitive Advantage of Nations was represented by the elucidation of the prosperity obtaining reasons, insisting on the reasons for which a nation advances, and suggesting that "the only clear and comprehending definition of the competitiveness on the national level is the productivity". After the results of studies made in 10 different countries (Denmark, Germany, Italy, Japan, Korea, Singapore, Sweden, Switzerland, United Kingdom and United States) [5], M. Porter took some bases ideas, the most relevant being that the competitive advantage of a nation, is based on the four "diamond corners", namely:

- *factorial determinants;*
- *determinants of demand;*
- *industries from upstream and downstream;*
- *the strategy, structure and competition between firms.*

Porter's theory generated different reactions. Some consider it as a success with interdisciplinary character, because was establishing a bridge between international economy and strategic management, contribute to the explanation of foreign trade, and was offering a frame for the empiric activities that could be implemented in other countries. Others have shown a higher critical spirit, noting the failure of the theory to recognize the importance of price competition and exchange rate in determining the international trade [6]. Remarkable is that the same issue, underestimation/ overvaluation of the government's role have been the subject of both criticism and appreciation of some.

Porter's theory issues that the national competitive advantage is a reflection of a "diamond" which is in proper and efficient running. But if an undeveloped or developing country, as the case of Romania does not have the proper conditions for the efficient functioning of the "diamond", or the determinants are weak not properly interacting or if only one or two of them can determine competitive advantages, what happens?

As Porter said, it rarely happens that the system is well assembled from the beginning, but this does not mean that the nation, in our case Romania, can not hold competitive advantages. Even one country has only one determinant this will be an impulse for the creation of a success industry and, once started, the process is set in motion by attracting competitors, generating the development of other determinants and the accumulation of advantages. Determinants are interrelated with each other, and one determinant in which is a competitive advantage contributes to the obtaining of a success industry, which will positively influence the others determinants, an important thing for the sustainability of the created advantage. Therefore the nations must create the conditions that the advantages of determinant to influence also the others, otherwise the initial advantage will be hard to maintain, and more hard the creation of other advantages.

In the developing countries, as Romania, the opening to international competition and global strategies represents an essential condition to obtain advantages.

Unfortunately, Romania's competitive advantages are based mainly on primary factors of production, and the support of the benefits of general factors and standardized basic industries have a lower impact then the support of the specialized factors development and of the top areas. Therefore, to support the advantage based of primary factors of production, the national base of the industry that use those factors must increase.

What is, however, the solution for Romanian companies to succeed in international competition? The only answer that comes to our mind is that Romania must first solve its internal problems, to develop the infrastructure, to increase the efficiency of the production processes, to improve information flows, etc. Thus, for Romania and other developing countries, participation in international trade is firstly and effect and then the cause of success.

The solution of the internal problems of developing countries also in the case of Romania often requires flows of international investments, the internal resources being insufficient. There are also cases in which due to the low attractiveness of the business environment these investments fail to appear, which post us in a vicious circle, a solution being the international specialization in areas that do not needs big investments to create competitive advantages. Michael Porter doesn't tell us which could be the criterion by which to make this specialization.

In Romania it was not established yet a "national diamond" of a dynamic development, this standing between the first two stages of development of a nation's competitiveness , defined by Michael Porter, mainly between that determined by factors of production and that determined by investments.

The critics of M. Porter's paper see in his work more usual theoretic ideas, a methodology that puts question marks, some attributes of environmental and corporate behaviour that don't safe to help the industries in international competition.

The main critiques that can be made to the theory of competitive advantage can be grouped in five categories:

1) observations related to the subject of Porter's analysis

The main purpose of the Competitive Advantage of Nation is to explain the notions of competitiveness and the competitive advantage. However the meanings in which are used these elements in the theory are varied and causes confusion. Porter begins his paper with the statement that "the only complete and accurate definition of national competitiveness is productivity."

Subsequently, in his paper, competitiveness is used in other ways, creating confusion and showing that Porter was not consistent in defining this term.

According to some American contemporary analysts, [4] productivity is a measure of the effectiveness of resource use, and the competitiveness is considered by them as being the ability to assure (or increase) the market share in the detriment of the competition [16]. This doesn't mean that this notion – competitiveness – cannot be used with the meaning of productivity. In the paper we are talking about, the confusion was produced in the moment in which Porter used this notion for two directions. The first case was when he concentrated his analysis from the national level to the industry level, arguing that productivity, namely, its increase should be looked for on this level. Then, he turned his attention to the firms and idustries that recorded international success, as indicates their market share. Confusing exprimation of these terms “nation”, “industry”, “company” has as an effect that the definition of competitiveness as productivity at national level is not abandoned, contrary it is interpreted again as being the capacity of a company or industry to gain parts from global market. In all Porter’s paper we notice this confusion between competitiveness as productivity of nation and competitiveness as ability of the companies or industries to obtain bigger share on the global market. These phenomena are different, but in M. Porter's theory this distinction is not made. Therefore two separate analyses appear overlapping and sometimes confusing, making it impossible to separate them.

Porter uses the export interest to identify the competitive industries and is focus on the national diamond to explain the international success of the analysed sectors. This export interest cannot explain the productivity at the level of national economy because the subject of the analysis is the performance obtained on export of the analyzed sectors.

In Porter’s paper we meet others ambiguities related to the respecting of the analysis subject. Another important objective of the theory is the explanation of the reasons for which nations are different from the prosperity point, which places the human in the spotlight.

Porter sees the external operation of the Japanese, American or European companies as elements of competitiveness of Japan, USA or European Union and not element of competitiveness of host countries. Here it is made a new confusion between the nation seen as an assembly of humans from a certain geographical territory and the nation seen as an assembly of firms for which this is “mother country”.

2) relation between competitive advantage and comparative advantage

An ambitious claim made by Porter’s theory is that it represents an analysis more relevant by substituting simplistic precepts of classical and neoclassical theories.

It was released the statement that the concept of "dynamic" of "competitive advantage" has replaced the "old" competitive advantage creating a new paradigm. The first approached the international commerce from static point of view based on the endowment with factors of production meantime the second concept is more dynamic and complex, based on innovation and new technologies.

We can emphasize therefore, some elements resulting from Porter's theory:

- the wrong perception of the comparative advantage and the return to an old point of view and to a rejected theory of commerce;
- the assertion that the theory brings new elements in the analysis of international trade, is unfounded because there were other economists who have previously notified the elements presented by him as new;
- Porter's view regarding government intervention is misunderstood because of the failure arising from his position as "competitive" protector against comparative advantage;
- through the rejection of comparative advantage, it seems that Porter is based in his logic in building the elements of the proposed development model.

The Porter’s “attack” on the comparative advantage somewhat shows a confusion between the role of absolute productivity and that of the relative in determining the commerce. In Porter’s opinion to counter the foreign competition and to export, an industry must achieve the standards of “absolute productivity”. In this context USA is characterized as having a growing trade deficit in the sector of automobile production because the productivity level from similar industries from Germany and Japan is much higher. In the meantime, South Korea can export automobile in USA, despite the high productivity of Americans in this industry, because “the quite low cost labour in Korea are not balanced by the USA productivity, not being big enough”. Therefore reduced labour costs give Korea the possibility to export automobiles in USA, giving to it a comparative advantage to this category of vehicles, following the premises of the life cycle theory, of Venon, which is practically a dynamic vision of the comparative advantages principle. The automobile export of Korea is not determined either by the high absolute productivity, or by its ability to export generally. The mistake that Porter does is to try to generalize the situation from all the countries, based on American experience, which leads to unsustainable conclusions.

Probably an understanding (intentionally) less exact of the comparative advantage determined Porter to consider that his theory represents a new paradigm in the fields of international trade. In reality, modern theories regarding the comparative advantage, analyzed the most discussed elements from the theory of competitive advantage of nations. For example Posner offer a dynamic extent of the comparative advantage in the model of life cycle of the product on international level. Mundell, since 1957, recognized the important role of the factors of production. Deardorff, Ethier and Krueger (1984) had expressed through diverse articles the quality economist’s interest from this field, more time before M. Porter. As a result, becomes unsustainable the assertion that he invented a new paradigm of international trade.

3) Critical remarks on the conceptual foundations of national diamond

Another essential problem of the Competitive Advantage of Nations is that the competitiveness of an industry depends on the “the strength of diamond” in its original country. Davidson and Greenaway appreciate the model chose by Porter considering it valuable through the used methodology. Others are more reserved regarding the used research methods. So, Ingram believes Porter’s statements as some suggestive assumptions rather than developing a new theory, as Porter's assumptions have never been the subject of convincing tests. But as the methodology used by Porter’s is not hypothetic-deductive but inductive, the critics brought to the lack of testing formal hypothesis are incorrect. On the other hand, Porter does not specify the criteria adopted for the selection of the studied cases, and can therefore be regarded as special cases being put into question their overall validity. The concentration on industries considered to have success represent an influence that is introduced, and the element that are usually against these industries are interpreted as success factors; here is no analysis to show whether these success factors appear also in industries that lose.

Another critique of Porter's model is the lack of argumentation and the use of axiomatic statements. Expressions as “a country/industry is successful when find the necessary environment to obtain success, and in this way the firms are encouraged to obtain it” doesn’t explain sufficiently some analyze elements. The answer to the question “which are the necessary demands for the existence of a successful environment?” is “there where the diamond is strong”, confused response because for example the theory confirm us that the offert abundance of factors of production represent an advantage, but simultaneously their absence can lead to competitive advantages (for Japan, for example). This apparent contradiction is explained by Porter through the distinction between basic factors, whose lack stimulates innovation and advanced factors which should be abundant.

There are also in this case examples that contradict this theory (in the

Netherlands for example, in floriculture the existence of a cold climate stimulated innovation in firms, thus supporting the theory claims, but it is impossible to estimate what would have been the result if the Netherlands climate would have been warmer, thing that does not allow us to consider that the economic relation should lead to same results). There is the possibility that many factors met in the analysis to be favourable in some circumstances and not favourable in others.

The idea that the existent diamond in the origin country determines the firms performances from the host country were considered inadequate, because the world economy is an increasing globalization process and the importance of the transnational firms is also increasing. Dunning [8] observed that "an increasing proportion of the assets from a particular country are acquired or located in another country". We can not assume that the competitive position of the firms that develop and important part of their operations outside their home country is mainly due to the strength of the diamond from the origin country, even the initial extent of their activities abroad were based on these advantages.

Other analysts studied other aspects of the model. So, Van den Bosch and Van Pooijen argued that the importance of national culture should have a more important role in the analysis. O'Shaughnessy added the customs, history and national policies; meanwhile Bosch and De Man considered that government authorities should occupy and more essential place in the model

4) Relevant aspects of empirical studies developed on the basis NCA

Even if the Porter's model is deficient here and there from the point of view of theoretical base, his analyzes is based on a lot of empiric elements, which have the role to prove that "strong diamonds" are met to the nations that hold competitive advantages. This fact gave the possibility of many researchers to extend the analysis to other nations and to formulate new methodologies for testing the main assertions of the theory.

Therefore, Yetton extended Porter's theory analysis in Canada, New Zealand and Australia concluded that none of the competitive industries doesn't have a strong diamond in their origin countries. Therefore the assumption that prosperity is needed to obtain a diamond is not checked, the three countries analyzed having high standards of living.

Bellak and Weiss analyzed also the industry from Australia and got to the conclusion that for the Australian competitive industries the diamond corners show that the demand determinants, strategy and competition between companies are week points in this case, which contradicts the assertions of Porter's theory.

To determine a global model of the competitiveness and to find what in want extent Japan has a sustainable competitiveness, using the concept of differentiation supported by Porter, in 1994 Suzuki calculated global export shares, for each Japanese industry, in part, for different years between 1964 and 1990. He concluded that the year 1985, which was the basis of Porter's analyzes was an atypical year for Japan, because many of the identified industries as being competitive in that year, on global level, in the next five years did not gained market shares as high as in 1985. This means that the power of the Japanese firms was not given by the differentiation of the products, as Porter assumed, but by the lower costs determined by an efficient management.

For the quantitative evaluation of the strength of every diamond corner, taking into account both the intern context and the international one, in 1996, Ellis and Pecotich realized a survey including seven firms that action in Australia, including pairs of exporters and non-exporters in the same industry. The analysis led to the idea that not even an success exporter doesn't has access to a strong diamond in the country of origin, and in the cases in which the diamond corners are strong this is the result of the correlation between them and not necessarily the determinants of the success.

Healey and Dunham's realized an analysis regarding the economic competitiveness change of a city from Great Britain. In this case the competitiveness was measured in relations with the jobs and not in relations with the productivity or share market from the export. The authors chose this approach because they wanted to highlight the elasticity of the concept of competitiveness and the extent to which "desiderata list" of competitive advantage of nations can be used to focus attention on other issues totally different.

It was started from the hypothesis that the diamond is valid, this being used as a framework of changes examination appeared over the time in the interior of “city level diamond”. The conclusion was that it would have been required a more extensive application of the model to local or regional level, in the relevant economic studies because the study showed an influence of each of the corners of the diamond on the changes appeared on the level of occupational situation evolution.

4. CONCLUSIONS

From the Porter’s theory it result that the competitive advantage is a reflection of a "diamond" which is running properly and efficiently. But if a developing country like Romania does not have the right conditions for effective functioning of the "diamond", what happens?

Very rarely happens that the system is well assembled from the beginning, but this does not mean that the nation, in our case Romania, can not hold competitive advantages. Even one country has only one determinant this will be an impulse for the creation of a success industry and, once started, the process is set in motion by attracting competitors, generating the development of other determinants and the accumulation of advantages. Determinants are interrelated with each other, and one determinant in which is a competitive advantage contributes to the obtaining of a success industry, which will positively influences the others determinants, an important thing for the sustainability of the created advantage. Therefore the nations must create the conditions that the advantages of determinant to influence also the others, otherwise the initial advantage will be hard to maintain, and more hard the creation of other advantages.

In the case of Romania the opening to international competition and global strategies represent an essential condition for obtaining advantages.

Unfortunately, Romania's competitive advantages are based mainly on primary factors of production, and the support of the benefits of general factors and standardized basic industries has a lower impact then the support of the specialized factors development and of the top areas. Therefore, to support the advantage based of primary factors of production, the national base of the industry that use those factors must increase.

The solution for Romanian companies to succeed in international competition is that Romania must first solve its internal problems, to develop the infrastructure, to increase the efficiency of the production processes, to improve information flows, etc. Thus, for Romania and other developing countries, participation in international trade is firstly and effect and then the cause of success.

In Romania it was not established yet “a national diamond” of a dynamic development, this standing between the first two stages of development of the competitiveness of a nation defined by Michael Porter, and between that determined by the production factors and that determined by investments.

Of course that from the appearance of his theory Porter had critics referred to: ambiguities regarding the determinant factors of trade, the existence of some lacks in terms of methodology and methods of analysis, the existence of some arguments that could reject the determinant assertion o the nucleus of the Competitive Advantage of Nations, the confusion appeared in respecting the success analysis objective as a result of explaining the level of success of an industry in the attempt to increase the market share.

Anyway, the theories and assumptions stated by Michael Porter continue to have a fundamental role in the way in which are perceived the competitiveness and competitive advantage worldwide.

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