



CCE-R Newsletter

(No.08 / Nov. – Dec.2008)

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Editorial

By **Serge R. Gonvers**,
CCE-R Board member and former President,
Senior Partner, *Audiconsult* Srl, Bucharest



Dear Fellows,

The subject of the day in all Medias and all mouths is The Crisis. But what crisis? And with what effects on our two favorites countries that are Romania and Switzerland?

Our Romanian fellows have been living for the almost past 15 years in a forever growing environment. What a nice feeling it gives!

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While us, Swiss have been through how many world and/or local crisis? Four, five, six depending on our seniority?

And what about the real estate prices whereby a villa with no decent road access or gas connection in Straulesti or Pipera is worth more than an equivalent one in Cologny, Pully or the "goldene Küste"?

Isn't it certain logic – or the benefit of the crisis – that prices would go down in Bucharest? And have more links to the reality?

And the accountant or the bank clerk – with hardly a couple of years experience – requesting in net salary the gross equivalent of his senior colleague in Geneva or Zurich, with, of course, the benefit of a car, a mobile phone, lunch tickets and, please, either a six-months bonus or why not a quarterly increase, if you don't want him to move to your competitor. Wouldn't it be nice to have again – crisis effects – the same youngster accepting the salary proposed by his employer – and not the contrary – and according to his/her real competences and qualifications?

And your banker considering maybe first how much own funds you have available when acquiring your home or the last Audi, and before he gives you a loan.

For this last banking sector, we are certainly better off – by tradition – in Europe than in the United States, and as well in Romania versus Switzerland, where the "culture" of borrowing has not yet contaminated the whole population.

Shall we mention the sudden devaluation of our dear Leu, getting closer and closer to 4 to 1 EUR – if not more next year – and who was - not that far away - the only appreciating world currency ? Any logic in that?

And what about our nice Bucharest stock exchange having made so many millionaires so quickly? With so few quoted companies and so little financial presentations of their virtual results!

Any logic in having a 40 % drop when their equivalent Swiss counterpart are experiencing "just" 20 % fall?

Crisis are certainly first and more in the media and then in the mind of people. But, at the end of the day, there might be some rational behind some of its effects.

Here above are some effects which I tend to think are certainly beneficial, at least to the Romanian market.

And, finally, if Switzerland might have some coming quarters in recession – but will definitely survived better than others – Romania is still contemplating a 2009 growth forecast well above 3 % for the most pessimistic forecasts: Anyone complaining?

I am "celebrating" next year 15 years in Romania and – against all odds – I am still positive about the potential of this country and its future.

And with no plans to return home...as I do not know anymore where "home" is...

The CCE-R Board informs

CCE-R Board Meetings – November 19, 2008; December 3rd, 2008

The CCE-R Board meetings in November 2008 and December 2008 took place respectively at the CCE-R office (40, Icoanei Str.) and the Intercontinental Hotel. The Board assessed the status of the registration of the CCE-R members in the National Registry of Foundations and Associations, an action performed by *S.C.A. Radnóczy & Menzer. Nörr Stiefenhofer Lutz*. The Court has previously rejected the Chamber's application based on the absence of some members' fiscal records. The Chamber obtained afterwards all the fiscal records of the members, asked for the appeal and received a deadline on Jan. 12, 2009.

The Board has also discussed proposals for the events to be organized by the Chamber in 2009.

📅 **The next CCE-R Board Meeting will take place at the CCE-R office on January 21st, 2009, 17:30.**

CCE-R Business Club – November 5, 2008

The first CCE-R Business Club in November 2008 was organised by the Chamber together with **Franke Romania** (<http://www.franke.ro/>).



The event took place at the company's HQ in 98, Biruintei Blvd., Bucharest - Pantelimon, Ilfov District, on November 05, 2008 at 19:00.

After the welcome words of Markus Wirth, the CCE-R President, Mr. Valeriu Cobaschi, the General Manager of Franke made a presentation of the company and its high-class kitchen equipment products in the showroom.

ING pension schemes were presented by the special guests Ms. Violeta Stoleru - ING Relationship Manager and Mr. Cornel Brates, ING Business Consultant.

CCE-R Business Club – November 19, 2008

The second CCE-R Business Club in November 2008 was organized by the Chamber together with **Stein & Partner Management Consulting** (<http://www.steinandpartner.ro/>). It was a joint Business Club having as a special guest the **Italian Chamber of Commerce in Romania**.



The event took place at *The Museo Cafe* (www.museo.ro - Soseaua Kiseleff, Nr. 2 - inside the Romanian Geology Museum), on November 19, 2008, at 19:00.

The representatives of Stein&Partner presented the company and focused afterwards on the effects of the financial crisis upon the human resources market in Romania. Questions and discussions as well as a nice cocktail followed.

CCE-R Christmas Party – December 3rd, 2008

The CCE-R Christmas Party in 2008 took place at the **Intercontinental Hotel**, Rapsodia Room, on Wednesday, December 3rd, 2008 at 7 p.m.



To enter the spirit of Christmas, the Chamber organised a carol concert and a tombola. The funds raised were donated to the orphan children from the Christian Foundation “Sf. Iustina” (<http://www.manastirea-marcus.com/>). Each participant in the party brought a symbolic gift and bought tombola tickets hoping to win something nice. As usually, there were a few surprises and more consistent gifts offered to the luckiest ones by the Chamber, Audiconsult, Chronotime International, Heidi Chocolats Suisse, Helvetansa, Holcim and Nestlé.

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News from CCE-R members

This column gives our members the possibility to present themselves to the other companies and to highlight important aspects of their activity. Our initiative goes together with the invitation for subscribing to this facility: **if you want to present your company to the other members in one of the next issues of the Newsletter, please contact us at ccer@ccer.ro.**



Ensign Management Consulting launched the first national Business Process Redesign study

Ensign Management Consulting launched on the 11th of November 2008, the first Business Process Redesign (BPR) Study in Romania, at Ramada Majestic Hotel, in the presence of a group of businessmen, executives of well known companies in financial-banking, power industry, IT, etc.

The results of the study revealed that approximately half of the BPR projects in Romania are initiated with the purpose of preparing the company for future development. A similar percentage (53.1%) seeks a better monitoring of the company's activity. Client focus and cost reduction are other aspects desired by the managers who initiate such projects.

BPR projects are more often used for: reorganization of a company's activity (76%), use of new information technologies and documents management (67%).

The most important factors with impact on the succes of a BPR initiative are:

- ✂ External consultants
- ✂ Change management principles (over 65% of the companies with major success have used instruments related to change management)
- ✂ The maturity of the management's approach (client-orientation, support for innovation, reduction of reactive management or on the spot improvements).

Even if more than 50% of the companies have declared that BPR projects obtained major success, the study shows that there is still great potential for increasing benefits. The results of Romanian companies are below the expectations, as well as below the results of foreign companies. The main cause of these differences is in most cases the reduced capacity of Romanian companies to profit from the benefits of BPR projects.

The results of the study have also identified the most important difficulties in running a BPR project and their solutions, the benefits of BPR projects for a company, the success factors for a process redesign initiative.

The study involved 41 dynamically growing companies, leaders in their area of activity. Most companies that initiated or wish to initiate BPR processes come from the financial-banking industry and the professional services industry. Data collection and processing were completed exclusively by Ensign Management Consulting.

About BPR

The term of BPR (Business Process Redesign) initially referred to the radical change of a company's way of working, in order to increase its performance and flexibility, for a better adjustment to the new market conditions. At present, BPR projects can include both the improvement of processes in a company (small adjustments), as well as their redesign (radical adjustment of the way of running a process).

On Ensign Management Consulting

Ensign Management Consulting is a management consulting company with 100% Romanian capital and a continuous evolution since 2000.

The company is the local leader of the Romanian management consulting market, both in terms of complex projects carried out, staff and consulting competences. Ensign offers business redesign solutions to its clients, by combining multidisciplinary competences - management, IT, finance, marketing, HR, procurement & logistics – as well as a vast experience in various industries, such as: financial services, utilities, power and oil, media, professional services, industrial products or consumer goods.

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Legal&Financial issues

All CCE-R members acting in the legal and financial fields are invited to contribute to this column.

Legal Focus

by "Zsolt Karl Radnocy - NÖRR STIEFENHOFER LUTZ"

NÖRR STIEFENHOFER LUTZ

Three additional official holidays per annum

On October 28th, 2008, the Law No. 202/2008 amending the Law No. 53/2003 – Labor Code – was published in the Official Gazette, Part I No. 728, introducing three additional official holidays per annum for the employees, beside the existent ones, i.e. **Whit Sunday and Whit Monday** and **August 15th – Assumption Day**. Whitsun is celebrated on Sunday, 50 days after Easter.

Thus Law No. 202/2008, by amending art. 134 para. (1) of the Law No. 53/2003 - Labor Code –, states that the official holidays on which no work will be undertaken are as follows:

- ✂ January 1st and 2nd
- ✂ Easter Sunday and Monday;
- ✂ May 1st;
- ✂ Whit Sunday and Whit Monday;
- ✂ Assumption Day;

- ✂ December 1st;
- ✂ 1st and 2nd Christmas Day;
- ✂ 2 days for each of the 3 annual religious holidays, declared by the legal religions, other than Christian, for persons belonging to these religions.

Romania took last place among the European countries concerning the number of annual free days: 28 days, before the adoption of the new law (21 days of legal vacation + 7 days of legal holidays). According to the new law Romania lies with 30 free days before Ireland (29 days), Holland (28 days), and England (28 days), but behind the other EU countries. E.g. Finland has 44 days, and France 40 days.

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The information in this newsletter does not replace the need for advice in particular cases.

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**Financial Focus
by THI Audit Romania SRL**

THI AG

Overtrading – a real problem of Romanian companies

Many countries are now struggling to fight against the recession, after the disastrous financial performances of multinational companies. Despite this, Romania remains a continuing expanding market, having, according to European Statistics Center, a 8.2% economic increase in the first quarter of 2008. Such performances place us on the second place in EU, after Slovakia.

Even if the local market looks extremely attractive for the business environment, many companies are exposed to serious financial difficulties caused by overtrading. A short analysis has revealed the fact that the multinational companies have generally back-up resources to avoid overtrading phases and therefore the most exposed are the companies with Romanian shareholders.

Overtrading is a consequence of a period of continuous expansion, with rapid increase of turnover without securing enough liquidities to sustain the growth. This simply happens when

many managers forget that profit comes only from paid sales and not only from increasing the market share.

Practically, the companies increase turnover, but do not have enough working capital to pay suppliers, taxes, wages. An increase in sales by 20% would normally generate an increase in trade receivables by more than 20%, as the VAT should also be collected. As a result, the increase in trading volume turns into profit on a long term, but on a short term this means increase in "cash shortfall". If the management has not anticipated this "cash shortfall" or the cash flow management is not efficiently managed, the company will not be able to pay the creditors and insolvency gets nearer and nearer.

You would probably say now: "Are there any signs that might warn us about falling into overtrading? Even if the answer mentioned below seems simple, it is very difficult to anticipate them and react promptly. Examples of such signs are as it follows:

- ✗ rapid increase in turnover;
- ✗ increase investment in fixed assets and inventories without increase in equity and borrowings;
- ✗ the creditors are not paid in due time (increase in creditors days);
- ✗ the bank overdraft reaches or exceeds the limit of the facilities agreed by the bank;
- ✗ the liquidity ratios are altered: e.g. the current ratio and especially quick ratio fall;
- ✗ management preoccupation with immediate surviving rather than managing borrowings increase without similar increase of share capital; if the gearing ratio rises excessively, the management needs to analyze the reasons for this fact.

These signs have to be correlated and the management has to analyze the causes which determined the overtrading, even if they are of an internal nature like the increase in sales or external causes such as: changes in taxation rates or system, changes in the date of payment of taxes, cutbacks in bank loans making impossible for the business to obtain funds.

But the most important question remains: How to avoid falling into overtrading?

Strictly monitoring the cash flow in order to ensure there is enough cash to pay suppliers and employees can be one way of protecting oneself against overtrading. The other method is a very strict control of inventories. It costs money to hold the inventories (e.g. warehousing costs, obsolescence, financing costs), so turning them over more quickly will cut costs. Faster stock turnover means shorter interval between the payment of suppliers and receipts of customers.

This gap can be shortened by analyzing the payment days and collection days. Maybe a new mix between new payment terms with customers and suppliers and attractiveness or aggressiveness of the company is necessary to be found. The management could take also in account the possibility to use factoring or invoice discounting.

The assets management, in the sense of leasing the assets or sale and lease back, or the capital infusion either through issuance of share capital or obtaining a long term loan, may be excellent alternatives. Shareholders' trust in company's perspective may reflect into shareholder's loan or non-distribution of dividends.

Having this said, the managers of rapidly expanding companies should always keep in mind that more businesses fail for lack of cash, than for want of profit.

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Business News

Swisspor expects 30% turnover rise to 14m euros

Expanded polystyrene manufacturer Swisspor Romania, the local subsidiary of the Swiss group by the same name, has announced an up to 30% turnover increase for this year, despite the decline of the construction market. "For Swisspor, 2008 has not been a poor year, especially considering the correction that the company underwent in 2007, after the strong advance recorded in 2005-2006. For this year, we expect a 30% turnover rise, with this year's sales expected to reach 14 million euros," said Marian Serban, Swisspor's executive manager. Swisspor distributes products that provide thermal, and hydro-insulation, as well as soundproofing products, and has an expanded polystyrene plant in Ploiesti; it is one of the major players on the Romanian market. The start of the national programme for the rehabilitation of old buildings will increase demand on the Romanian polystyrene market by at least 150,000 cubic metres, according to the first estimates provided by players on the market. (Ziarul Financiar, Dec. 11, 2008)

Heidi plans rebranding and a larger market share in 2009

Heidi Chocolats Suisse, a major producer on the local chocolate market, is planning a rebranding process in 2009, and intends to consolidate its market share. Company officials expect €16 million in net sales, up 25 percent year-on-year.

"We expect growth in 2009, continuing this year's trend, which brought a 20 percent annual increase," Erwin Vondenhoff, Heidi Romania's General Manager, told Business Standard, adding that this business will not be strongly affected by the crisis.

"We estimate our business will increase by one quarter, considering that our strategy is based on expanding exports, which currently make up only eight percent of our business, but we expect this percentage to amount to 20 percent in the coming years," Vondenoff said.

The company's General Manager said that 2009 will be a very important year for Heidi, which will come up with a new brand vision, with new ideas and products. "Naturally, in order to increase market share we have to introduce new things onto the Romanian market, known for its poor consumer loyalty for a certain brand," said the company official.

The value of the total Romanian sweet market amounted to RON 817 million (€241 mln) in 2007, according to the Nielsen market research company, up 25 percent from 2006. This market's main players are Cadbury, Kraft Foods, and Supreme Chocolat. (standard.ro, Dec. 12, 2008)

Sika Romania posts turnover 30% higher against last year

Sika Romania, local subsidiary of Swiss group Sika, will post turnover worth around 24m euros this year, up 30% against last year, below the 40% beginning-of-the-year forecast, amid a reduction in demand for construction materials. For next year, the company forecasts a 20% turnover increase, to 29m euros, amid a slower growth of the constructions market and a deepening of the effects of the international crisis. "Next year we will see growth, but not at the same rate as in 2008, due to the investments we have made in infrastructure and in human resources, with our expected turnover rise amounting to 20%. Anyway, we provided for a slower growth, so no significant budget adjustment has been necessary," said Ileana Nicolae, general manager of Sika Romania. (Ziarul Financiar, Nov. 27, 2008)

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