

## ***COMPETITIVENESS FACTORS OF THE ORADEA INDUSTRIAL PARK***

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*Abstract: Globalization means not just the export of products in other countries or commerce in the entire Globe. Today the number of companies that expend their activities in other countries is in a continuous growth. In most cases one of the first steps is the relocation of the production department or a new assembly line in other country. Therefore appears more and more industrial parks all over the world to respond for these demands. Therefore the companies have more and more options for the location of the new factory.*

*This paper will present the factors that decide which location the companies will choose for the new plant. I analyze in general why will be an industrial park more competitive than another and then I emphasize the competitiveness factors of the Oradea Industrial Park. Firstly I present the important factors by referring to the theoretical and practical research results by now. Beside the well known characteristics of the competitive industrial placements, the paper emphasizes the less evident competitive factors. The last part rally those specific reasons that make Oradea's Industrial Park competitive and are advantages for the companies that decides to start their activities here.*

**Keywords: industrial park; competitiveness; competitiveness factor; industrial parks competitiveness**

Globalization means not just the export of products in other countries or commerce in the entire Globe. In the globalized economy the number of international transactions with products is growing, but also increases the flow of the capitals, services, technologies, information cross country borders. Today the number of companies that expend their activities in other countries is in a continuous growth. In most cases one of the first steps after selling the company's products in the foreign country, is the relocation of the production department or a new assembly line in other country.(Poór, 2003)Therefore appears more and more industrial parks all over the world to respond for these demands. The industrial territories are good for each country, because the industry has an important role in these countries's development. In many countries in the EU the biggest contributing sector in the economic growth is industry and at the same time the industrial parks become a more important factor in these countries economy. The beneficial effects of the industrial placements for the region's development are another reason for the start of more new industrial parks.

As I already emphasized the key sector in Romania's 3,5% GDP growth in 2013 was the industry, which was the biggest increase in the EU. The share of the industrial sector in that year was 30% (Kóródi, 2014). The industrial sectors contribution in the Romanian total GDP was significant in 2014 too. With the increase of the GDP, that means 2,8% in 2014, the share of the industrial sector in 2014 decrease also to 24,1%, regarding the report of the Romanian National Statistic Institute.

The industrial parks have an important role in the countries, because they pull not just the region, but the whole industry. This placement offers multiple benefits and develops the local

economy level through higher incomes, increased number of jobs. The effects of the industrial parks and the relationship between these and the competitiveness of the regions with such industrial areas is well proved by many authors and several papers. But industrial parks can offer benefits and act like pull factors just when they have enough settled companies. This can be fulfilled if the industrial placement itself is competitive. This paper will present some aspects of the competitiveness of industrial parks in general and gives an example through the analysis of the Oradea Industrial Park's competitiveness.

### **Industrial parks**

In my interpretation I use the industrial parks concept as zones located generally outside the city, where the investor companies have mostly industrial activities, using the offered infrastructure and services.

The Ministry of Regional Development and Public Administration define industrial parks as a limited zone, where is economical-, scientific research-, industrial production activities, services, and scientifically research capitalization, technological development, in a specific regime of facilities, in order to maximise human and material potential of the place.

The industrial parks by the type of the ownership can be categorized in three groups:

- public property
- private property
- mixed: public-private property.

Another classification can be made according to the main activities from the park. The EU defined the next categories, emphasized the main core businesses (Lengyel I, 2002):

- science park
- research park
- technology park
- innovation park
- business park
- business incubation park

### **Industrial park competitiveness factors**

In the first part of the paper I present some of the benefits of the industrial areas for the regions and point out the possibility to increase the competitiveness of the region. The advantages and the economic pulling effect of the industrial parks are wide discussed and proved in the literature. Therefore more and more industrial parks are established and the companies have more and more options for the location of the new factory. In this section I will present how the industrial settlements compete with each other and what are the factors that make an industrial park competitive.

The companies choose in three steps the most appropriate location for their new industrial unit. Firstly they pick up the country of the site, then in the next step select the region and finally analyze the few remained possible locations. The selection of the placement is made according to some characteristics, which also influence the competitiveness of the industrial parks. The Cabral-Dahab science park management paradigm specify important

factors that are must have characteristics of the industrial parks too and define the competition between the industrial areas. Regarding this theory a science park must (Cabral, 1998):

1. Have access to qualified research and development personnel in the areas of knowledge in which the park has its identity.
2. Be able to a market its high valued products and services.
3. Have the capability to provide marketing expertise and managerial skills to firms, particularly SMEs, lacking such a resource.
4. Be inserted in a society that allows for the protection of product or process secrets, via patents, security or any other means.
5. Be able to select or reject which firms enter the park. The firm's business plan is expected to be coherent with the science park identity.
6. Have a clear identity, quite often expressed symbolically, as the park's name choice, its logo or the management discourse.
7. Have a management with established or recognised expertise in financial matters, and which has presented long term economic development plans.
8. Have the backing of powerful, dynamic and stable economic actors, such as a funding agency, political institution or local university.
9. Include in its management an active person of vision, with power of decision and with high and visible profile, who is perceived by relevant actors in society as embodying the interface between academia and industry, long-term plans and good management.
10. Include a prominent percentage of consultancy firms, as well as technical service firms, including laboratories and quality control firms.

A very useful categorisation, which in my opinion has a big importance in the literature of industrial parks is Cséfalvay's theory regarding the factors that influence the decision of the tenants. The factors are grouped in the categories of hard and soft factors. The importance of this method of distribution of the factors is used in the Western-European countries, because beside the hard factors (which are well known) the soft ones are getting more and more used, and in my opinion too these factors are important and largely define the industrial parks competitiveness. Hard factors are those, that can be measured like the level of local taxes, cost of labour force, infrastructure – including traffic, telecommunication, and power-supply. The soft factors are facilities and resources, that do not refer directly to economy, they don't appear in numbers and aren't countable, but influences directly the operation of the installed plant and affects the site choosing decision, they are rather social, cultural factors (Cséfalvay, 2004).

### **Oradea Industrial Park**

The development of the industry in Oradea begun after 1850, the most important areas were food industry, especially milling and alcohol, leather and textile industry and chemical industry. Beside the industry the commerce increases too in this region. There was many changes in the Oradea's industrial history, but this sector played an important role in the city's economic life. The darkest period of the industry came after the revolution, when Oradea lags in the industrial competition in this region. Timisoara, Arad and Cluj establish industrial parks

long before the Oradea's Local Government initiate his industrial park project, the Euro Business Park Oradea.

The modern era of industrial parks in Romania began in 2001 and with the Law 490/2002 regarding creation and functioning of industrial park, the Government provided several facilities for investors willing to concentrate in certain locations with adequate infrastructure for industrial activity. In 2010, at the Ministry of Interior and Administrative Reform were recorded 63 industrial establishments. The total area dedicated for industrial and related activities were over 2000 ha, where 1200 ha were greenfield investments and the rest brownfield investments (Dodescu – Chirila, 2012). The Euro Business Park Oradea project expands to three platforms, for different type of firms and activities. The main and functional Platform I was the first step in the Oradea industrial project. Platform II is under development, but has already tenants and Platform III's industrial park title procurement is in progress.

The Euro Business Park Oradea was established in December of 2008 through the order of the Ministry of Administration and Interior. The land and the industrial park are owned by the city of Oradea and is managed by the company established by the local government. The Oradea's industrial has an area of 121 ha and is located strategically on the E60 European road from 4 km of the border with Hungary. The location is favourable because the proximity of important transportation facilities: on road the already mentioned E60 (with a 1.2 km street front on it), the future Transylvanian Highway is 4km far and the Hungarian M35 Highway from 60 km. The very next air transportation possibility is the Oradea Airport (6,8km away) and there are two Romanian airports in 180 km radius in Timisoara and Cluj-Napoca. The railway is from 2 km distance from the industrial park and the Constanta Harbour is 796 km on National Road. The nearest capital is Budapest (309 km), but Bucharest and Wien are near than 570 km.

The Euro Business Park can offer two types of investments: the greenfield investment and another type, when the warehouse is offered for lease. The offer for the possible tenants beside the land, that can be concessioned and also purchased, include the following utilities:

- Sewerage network
- Internal road network
- Water Network
- Lighting Network
- Electricity Network
- Heating network
- Telecommunications networks
- Natural gas networks available in the park

Regarding the costs in the Industrial Park from Oradea the land is offered for concession from 0,32 EUR/sqm/year + VAT or can be purchase for price beginning from 8 EUR/sqm + VAT. The annual administration fee is payable in both cases and is 0,50 EUR/sqm/year + VAT.

At this moment the occupancy rate is 80%, the companies invested 180 mil euro and created 5000 new jobs from the through the operational years. The main activities of the companies of the industrial park are Electronic Manufacturing Services, Automotive, Light metal components production, Logistics and transportation, Industrial electrical components

production. The biggest foreign investors are Emerson, Plexus, Shinheung, Faist, Salesianer Miettex.

Euro Business Park Oradea II unfolds on 81 ha, in the first stage was developed an area of 24 ha in 2010. The location is in the build-up area of Oradea, 7 km far from the border with Hungary, but with direct access to the city ring-road. The planned activities by the management are manufacturing, light industry, logistics and business related services. The occupancy rate is 30% with a 22 mil euro private investment.

It is important to remark the intention of the owner to separate the different kind of activities on different platforms. One of the reasons is that the city management want to supplant the industrial activities from inside the city. The big companies take place in Platform I and the smaller firms from the city can move to Platform II and later to Platform III. This conscious arrangement can be another attractive characteristic of the Industrial area of Oradea.

### **Competitiveness of Euro Business Park Oradea**

The purpose of this paper is to figure out why the Industrial park established by the Oradea City Council is attractive and what are the factors, that grants competitive advantages. For this I analyze the characteristics of the industrial park and interviewed the general manager, Delia Ungur and Iuliu Delorean, who was councillor in the Oradea City Council and one of the members in the Euro Business Park's General meeting of shareholders. I wanted to put some information from the tenants, but this seemed to be more difficult than I expected, this will be done in a next step of this research. I use some declarations by the representative persons of the tenant firms.

I also want to know, how important the hard and soft factors are in the case of the Oradea industrial park and how Cséfalvay confirmed's theory regarding this two category of the factors that makes competitive an industrial zone.

In my opinion based on the information about the Industrial area of Oradea, one of the most important advantages is the location, because is near the border with Hungary and is very accessible to Western Europe through the road infrastructure, proximity of the railway nodes and good airport connections.

Other competitive advantages of Oradea are two indispensable factors: the facilities and good infrastructure. The costs for the tenants are also attractive and drive to invest in the Euro Business Park Oradea.

From the interviews I summarized that the companies seek at an industrial park: good accessibility, utilities, quality services (including public utilities, but also support from a specialized institute or from the industrial park's management), tax incentives, public transport, and personalised educational programs.

These factors are usually needed, not just in the analyzed case. The question is, how important are these factors, which of them makes an industrial area more competitive?

I made a hierarchy of the competitiveness factors of Euro Business Park Oradea (mostly based on the two interviews). I grouped these in two categories according to Cséfalvay's theory.

The hard factors are:

1. geographical position
2. road infrastructure closeness from Hungary (highway at 60 km) local labour force - availability and quality
3. utilities infrastructure of the Industrial Park
4. the competitive price of the land
5. smaller operating and investment costs (then Western European)
6. enough possible recruits, 220000 population in the Oradea Metropolitan Zone
7. public transportation to the Industrial Park
8. tax incentives

The incentives through tax discounts and other reliefs is placed last, because although is very important, it is a must have, that is an indispensable basic condition, what is offered by every competitor. This factor can't affect very much the rivalry of the (Romanian) industrial parks, because is controlled by legal regulations and every park offer the possible (and legal) maximal discounts regarding some taxes.

The group of soft factors can be divided in two categories, one are the corporate factors and personal soft factors (Vápár, 2012). I rather name this environmental factors and subjective factors. First category contains factors that can't be influenced by the management and board of the industrial establishment, like the public administration system, the local economic environment, higher education system or local innovation culture. Subjective or personal factors, that can influenced directly or changed and depend very much on the people the investors interact with – it can change with the change of the team members. In case of the Euro Business Park Oradea, the hierarchy of soft factors are (containing environmental and subjective factors):

1. educational system – universities, existing specialities, spoken languages
2. transparent offer, lack of corruption
3. competent and dedicated team, which gives relevant, and correct information for investors and is capable to communicate with the investors
4. offered assistance after the contract signing in every phase of the investment (the facilitation of relations with the local companies, agencies or public institutions and help in administration issues regarding the needs of the tenants)
5. simplifying bureaucratic procedures and shortening deadlines for issuing permits

The interviewees highlighted the soft factors of the Oradea industrial area, what is not surprising, because these tendencies are being underlined in the literature too. I think a good marketing activity is essential and can be a competitive factor as well. In Romania the penetration rate of computers and internet in businesses are acceptable. A lot of businesses have websites, use the internet to communicate and interact with business partners, clients, etc. The internet play more and more important factor in the business life in Romania. (Kánya, 2014). This is an important channel to attract the possible investors in the case of Euro Business Park Oradea too, and I can say, that all the important information are available on the web site. But another advantage and the most important promoters are the satisfied tenants. As strengths of Euro Business Park Oradea in addition to the hard factors like strategic position, local labour force, infrastructure, it is very important to mention the people working for the Industrial Park, who are professionals who speak foreign languages, and are



fair people. Important request from the investors, that can be fulfilled, is the possibility to build up own infrastructures.

As weaknesses we can mention the less efficient University, that is an important competitive disadvantage and the general manager told, they lost many huge investments, with a high component of R+D. Another negative characteristics of the Oradea industrial park is the fact that it is located in Romania, and that means for the investors some distress signals like the fiscal policies are unpredictable, corruption is high, lack of professionalism of some public structures, especially at central level (for example everyone understands controls from the public institutes, only why the agents of this institutions have to behave rudely).

The opportunities for the industrial park is to adapt the local educational system to the economical needs, creating programs in partnership with the investors, so that these can recruit from the university not having to waste money and time with trainings.

The competitors of Euro Business Park Oradea as a country are Poland, Hungary, Bulgaria, Macedonia, Serbia, Slovakia, and Czech Republic. Investors start with making long lists of countries, and cities when making a decision of moving, after that they cut out the list and end up with a short list of 3-5 locations, Oradea was in every case on the short list, in most of the cases being the only Romanian location. Oradea competes in Romania with Cluj-Napoca, Timisoara, Arad, Brasov, and Sibiu. Direct competitor can be Debrecen industrial area in Eastern Hungary, but the occupancy rate is very high and according to one of my interviewee cannot accept more investors.

## Conclusions

In conclusion it can be seen that the Euro Business Park Oradea is a developing industrial zone, with good potential and a real competitive force. The most important competitive factors are the location and accessibility, the good infrastructure, and attractive operation costs and labour market. But maybe more important than these are the education system and qualified labour force, simplified bureaucratic procedures and the most highlighted is the management of the industrial park from Oradea. The support through all over the investment and the dedicated, communicative team is one of the most important advantages of the Euro Business Park Oradea.

It seems that the distribution of the factors in hard and soft groups is relevant. The soft factors can be divided in two more categories that in my opinion are the environmental and subjective or personal soft factors. More important is that the theory that emphasizes the influence and biggest relevance of the soft factors can be detected in the analyzed case.

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