

CHINESE PHOTOVOLTAIC ENTERPRISE STRATEGIC ADJUSTMENT IN ROMANIA

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Abstract

The huge invasion of Chinese products in Europe and the challenges of selling Chinese products in European Union generate issues of strategic management presented as challenges need to be faced are behind this article. European Union regulations and Romanian business challenges have been pushed Chinese companies to modify their strategic management meeting these challenges. The article treats EU anti-dumping on Chinese solar PV products by concentrating on Chinese Photovoltaic Enterprise challenges through (SWOT) analysis and strategic adjustments for EU - Romanian market to understand new policy and to make new price strategy, to apply new investment strategy accordingly.

Keywords: Chinese Photovoltaic Enterprise, EU anti-dumping policy, Strategic Adjustment, Romania market.

JEL Codes: L10, L19

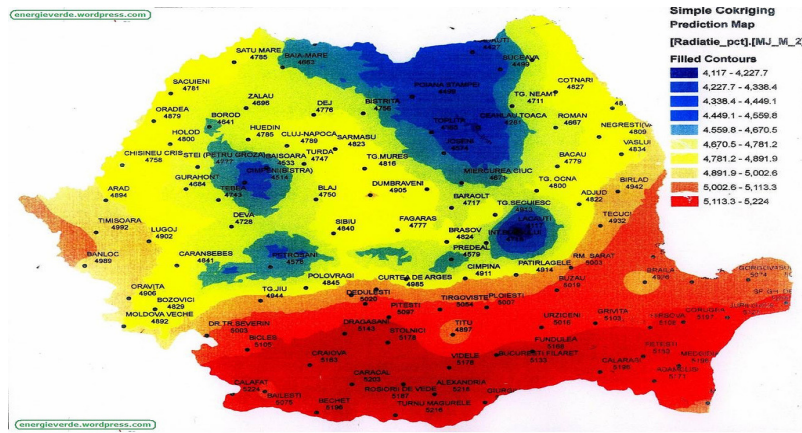
1. Introduction

Romania is situated in the European B sunlight, which gives the country a major solar potential waiting to be tapped. With 210 sunny days a year, Romania is eligible for annual energy flow between 1000 and 1300 located kWh / sqm / year.

Radiation level in Romania is very good compared to other countries with temperate climate, and differences, depending on geographical area, are very small. Solar radiation in Romania reaches maximum values in June, 1.49 kWh / msq/zday, lows were recorded in February, 0.34 kWh /msq/day. (wrote Green Report).

Romania is divided into three main areas of sunlight: the red corresponding to Oltenia, Wallachia, Moldavia and southern Dobrogea, about 1650 kWh/sqm/year, yellow zone including Carpathian and Carpathian regions of Wallachia, all of Transylvania, the middle and northern Moldova, Banat, 1300-1450kWh/sqm/year, and the blue mountain regions, 1150-1300 kWh/sqm/year. Romania is a new entrant in renewable energy sector, but is very most important market for Chinese Photovoltaic products. It's very necessary for Chinese photovoltaic enterprises to study the strategy on this market.

Source from: opcom.ro



2. EU anti-dumping on imports of Chinese solar panels

From the EU latest anti-dumping policy change on Chinese solar panel products; on 4th June 2013 the European Commission has decided to impose provisional anti-dumping duties on imports of solar panels, cells and wafers from China.

This decision follows a thorough and serious investigation and extended contacts with market players. As the market for and imports of solar panels in the EU is very large, it is important for this duty not to disrupt it. Therefore, a phased approach will be followed with the duty set at 11.8% until 6 August 2013. From August on the duty will be set at the level of 47.6% which is the level required to remove the harm caused by the dumping to the European industry.

A parallel anti-subsidy investigation on the same product is on-going, following a complaint lodged by the same complainant. It was initiated on 8

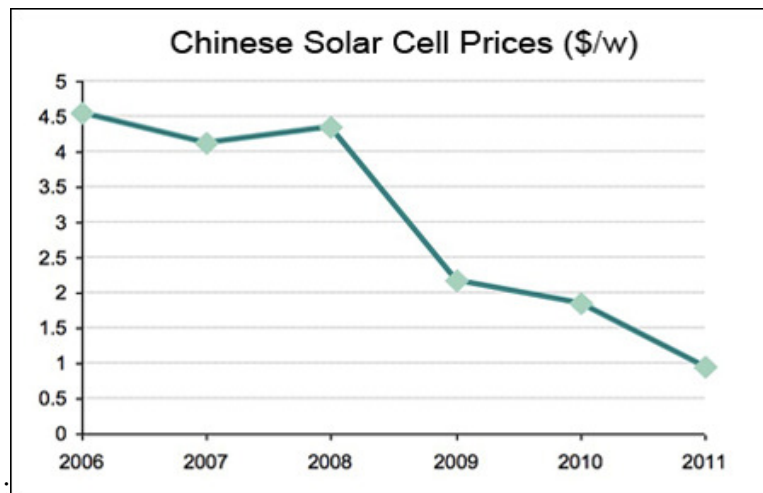
November 2012. Provisional anti-subsidy measures will be imposed by 7 August 2013. The decision on definitive anti-subsidy measures will be due in December 2013.

3. The influence of EU anti-dumping policy

EU new policy on Chinese Solar panel products influence seriously, not only to Chinese Photovoltaic enterprise, but also to EU solar panel enterprises. EU Strategy merges area “double-edged sword”. These influences are divided into categories as the following:

➤ *The influence to Chinese Photovoltaic Enterprises:*

China's photovoltaic industry will be decimated, The Chinese solar panel price increase and the competitive advantage no longer exists, about 300000 workers will suffer unemployment, many IPO enterprises are facing delisting risks. For example, Big new energy a net loss of \$20.8 million; Yingli new energy resources four consecutive quarter of losses, losses as much as \$140 million in the first half of the year. Suntech delay report. The big new energy by continuous stock prices below the \$1 received warning Nasdaq, suntech shares since late August also continues to below \$1.



Source from: soalrcellcentral.com

➤ *The influence to EU solar panels enterprises*

First, the solar industry will hit Europe itself. Although to impose anti-dumping duties on Chinese photovoltaic battery products can let a few

European photovoltaic battery manufacturers benefit from it, but the raw materials needed for the solar panels made in China, most of the technology and equipment are imported from Europe and other developed countries and regions.

Data show that in 2011 China only from Germany, imported \$360 million worth of silver paste, imports of polysilicon and \$764 million. In recent years, China has accumulated from Germany and Switzerland and other European countries, purchasing about \$10.8 billion of production equipment. EU raise anti-dumping flag, will hurt most European companies within the industry chain, and pay a high price.

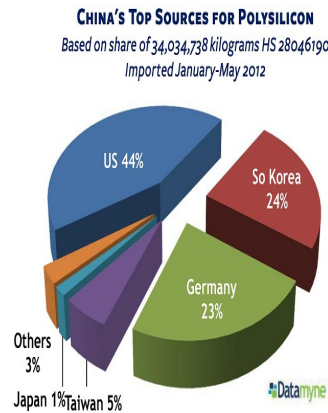
We can see (*the conclusion / result of chart say that Germany ...etc*) from chart blew that Germany is the 3rd import sources of China for polysilicon in 2012.

Source from: datamyne.com

Second, it will hit the European solar energy users, including ordinary farmers. If Europe will be outside a block of high-quality low-cost photovoltaic (PV) products in China, Europe a large number of solar energy consumers will pay a higher cost, damage the vital interests of the ordinary people.

Third, it will have a negative impact on European energy security and energy strategy. As is known to all, the EU needs to import about half of its energy, and energy has been a "soft rib", which restrict the development of the EU economy also taste enough Russian "expired" over the years. If without the high quality and low price of solar products in China, the European Union promote its energy strategy will be overshadowed.

Chinese PV solar panel manufacturers face the dilemma is: The context of the global economic downturn, Europe and the United States PV market a large number of financial subsidies difficult dimension to continued decline in market demand; Europe and the United States on the forthcoming or have been identified by the Chinese manufacturers "double reverse" measures, further aggravated inventory; China's PV market is very small, basically rely on overseas; Many local governments do not have the science, industry market mind for achievements, for example, Ukraine the yarn and fiscal revenue, take "racking our brains" approach blindly given



land, capital, tax and policy support for the photovoltaic industry, but in China the development of a large number of technical level is not high, small, high energy consumption enterprises, thereby disrupting the market price.

4. The Strategic Problem of Chinese Solar Panel Enterprise

By facing the hard situation that how to reacting on EU new policy, Chinese solar panel enterprises become to realize and analysis their strategic problems. Here of study result.

4.1 Enterprise vision is missing or not clear

Enterprise vision is missing or not clear, the vision can help the enterprise most guidelines, aggregation, and motivate employees. In the 1990 s, as the change of business environment, enterprise vision to further enhance the importance of strategic management, the so-called vision management --, combining with the personal values and organizational purpose, through the development vision, aiming at vision, three steps to carry out the vision, to build a team, organizational success and organizational power maximization. Vision management pay more attention to emphasize the core values, mission and level of organization of a grand vision for enterprise reform and the development of the long-term incentive, pay more attention to the future of the strategic orientation and long-term effect.

Establishment and effective implementation of the enterprise vision is the key to success. The strategic choice for enterprise transformation period, without vision, will be endless arguments between employees, not only a waste of time; it will also be a serious blow to morale. Adapted to vision do not make the adjustment or not fully communicate in the organization, employees unless sure that transition is likely to succeed, even if to also will not change. If combined with business executives because don't want to deal with difficult people and things, duplicity, before and after the transition period to the enterprise change plan more devastating.

4.2 Inspired to overestimate their own advantages

The strategy formulation process to determine the main problems are: enterprise into what kind of new industry? Give up what kind of industry? How to configure the resources? Expanding the scope of the market? Whether to merge or establish joint venture? How to prevent the takeover by your competitors? No enterprise has unlimited resources, strategic planners must be determined in the choice of strategy, in which a strategy can make the company achieve maximum benefits. Strategic decisions will make the company in a long period of time with a particular product, market,

resources and technology. Transitional companies, often made certain achievements in the field of the original, often appear when in self-examination in deviation, like based on the thought of strengths to form a strategic, and ignore the point -- really accord with the advantage of the strategic objectives should be based on the enterprise do good place than its competitors. Different company whether needs to choose a different allocation of resources? Many managers at the beginning of the enterprise transformation, does not establish a sufficient sense of crisis, not overestimated the power of promoting organizational change themselves, but also underestimate the difficulty of motivated employees leave comfortable environment, lead to the deteriorating physical anxiety mixed with employees, strengthened the change action sense of rejection.

4.3 Mismatch of short-term tactics and long-term strategy

The short-term strategy and long-term strategy of balancing of interests, to enterprise's development is very important. Under shareholder or top managers get rich quick enterprises pursuit profit, often lead to enterprise strategic myopia, focus too much on short-term gains and losses. Short-term strategy called phase within the management goal is more appropriate, but short-term business objectives must cater to the long-term strategic objectives, to stand in a certain height, accord with the strategic development of the enterprise direction is determined. In this way, enterprise whether needs to change, which can guarantee the continuity of the target. For example many appliances manufacturing enterprises, which want to transition strategy, namely from the production processing enterprises into a technology research and development enterprises, to become the industry leader of the latest technology, which developed in technology research and development, product quality long-term strategy accordingly. To win in the short term, however, the maximization of market share, the pursuit of relative advantage, and is willing to take the price war strategy, care research and development, product quality is so intertwined with long-term strategic link, lead to enterprise short-term tactics and long-term strategy does not match. Not only strategic vision no goals. Enterprise transformation usually takes a long time, for most people, if you couldn't see the future can have half a year or 1 year can be called a small milestone in harvest, often give up goals, even become a target of opposition. Transformation of many failures, general plan and phase change system target, also no real motivation, change of disillusionment like castles in the air.

4.4 Error define on enterprise core competence

Core competence is not a single technology or process equipment; it consists of various capabilities, including the technical core capacity, organization core strategic ability, guiding core ability, etc., is a combination of a series of complementary skills and knowledge within the organization, one or more of a business can achieve the leading level in the field of competition. Core competence is not limited to a moment of success, but on a long time to face all kinds of changes of ability to adapt. From strategic perspective enterprise core ability, can promote the enterprise scientific and comprehensive construction and improve the system of sustainable development.

Enterprise transformation, in the process of strategy formulation, if can't sort out its core ability, will be enterprise's strategic direction to the astray, even will run for a long time down to form core competence to overthrow, and to define again. Business scope limited to the core city of Courier companies, for example, survive in part because the business a long time, in some clients with safe, fast word of mouth, if companies failed to see its own core competence, under the pressure of competition to provide logistics enterprises, start construction, acquisition of long-distance freight enterprise warehouse, it would be extremely risky. Similarly, when the company's business scope includes only the nationwide or neighboring countries, from a global perspective to define the core ability is also very dangerous.

4.5 Strategy implementation lack of driving force

Strong executive ability can guarantee to implement strategic intent, to complete the intended target, the enterprise strategy planning into benefits and results. If Transformation enterprises lack of strong, and has a weak leadership team, strategy implementation and control, makes the strategic planning. By one or several people's strength, can't against the traditional system and the inertia. He was hesitant leadership team, also can't promote transformation of enterprise. Even some enterprises "music", let the practitioner. In an enterprise, the most important factors influencing strategic is the stability of the leadership decision-making, because different people may have different objectives on stage. Enterprise transformation is often groping forward, if the enterprise development direction and the target is always changing, it is easy to appear problem.

4.6 Change but without strategy

Many managers believe that they made the strategy, in fact is not, at least not a strict, satisfy the economic meaning and basic definition of

strategy. Because of policy loopholes and law is not sound, some speculators make opportunistic, gained huge profits in a short time later, formed the bad habit of pushing, ignoring the rules, they believe that success depends on is speculation and luck, rather than standing on the strategic point of view to look at the development of enterprises. This is our country in recent years appear constantly shooting star class enterprise.

Have a good strategy, get twice the result with half the effort; There is no good strategy, the result of the hard work is wasted effort. Enterprise managers based on good intentions, raise some unrealistic slogans and target, basic is not a strategy, and because it does not put the enterprise future the which way and how to get clear, will forever stay on the stage, make enterprise operation is always lack of a clear goal.

5. Chinese solar photovoltaic enterprises strategic adjustment

In the past, Chinese export growth mode is extensive, which is not appropriate for nowadays business, especially when the trade policy become hard for Chinese enterprise, the only way is to adjust old inappropriate strategy. With regards to Chinese solar panel enterprise this change is imperative under such a circumstance.

✓ Change on Export growth mode, from extensive to intensive.

Extensive economic growth mode means in factors of production, structure, efficiency and quality under the condition of invariable technology level, rely on the expansion of production factors investment and economic growth. The essence of the export growth mode is the number of growth as the core.

Intensive economic growth mode is by improving the quality of factors of production and efficiency, depending on the optimum combination of factors of production, through technological progress, improving the qualities of workers and improves the utilization rate of capital, equipment, raw materials and the implementation of growth. The essence of the economic growth mode is to improve the quality and economic benefit as the core of export growth. Extensive and intensive export growth relies on the perspectives of management. If from the scale of production expanded the realization way of reproduction can be divided into the expansion of denotation and connotation of expanded reproduction.

Change from the extensive to intensive economy relatively. Intensive export growth mode is to point to in the scale of export is constant, on the basis of adopting the new technology, new technology; improve equipment to increase production, increase science and technology content, the economic growth mode is also called the connotation type growth mode. In contemporary, advocate a intensive economy. Such as the development direction of animal husbandry in northeast China, is the development of intensive.

✓ Change on Multinational business model, from trade patterns to outward foreign direct investment.

First of all, from the perspective of the export as the international economic situation deteriorated and yuan appreciation pressure frequency, export trade obstacles and barriers faced by is also increasing, relying on exports is not the optimal choice of enterprise internationalization in our country. Before a lot of export enterprises, once encounter higher export destination countries technical barriers to trade, will be forced to bypass trade barriers through foreign investment.

Second, China's foreign direct investment scale has been on the low side, should have the larger development space in the future. With export barriers, many companies began to through the foreign mergers and acquisitions, access needed for the development of brand, technology and marketing channels and related resources, it will promote the development of Chinese enterprises foreign direct investment.

Third, non-equity arrangement with the independence and flexibility, would make it has a more broad space for development in the future, with the help of a non-equity arrangement into the international division of labor system and related technology and experience, will also become the important way of our country enterprise international operation.

✓ Chinese enterprises foreign investment has three big difficult problems.

Here with my SWOT analysis chart as blew.

Internal Environment	Strength	Weakness
	<ol style="list-style-type: none"> 1. Low cost of solar panel price compare with other countries. 2. Strong production scale and production ability to meet market needs. 3. Good cooperation and customer relationship with EU local consumer in past years. 	<ol style="list-style-type: none"> 1. Financing difficulties from overseas direct investment 2. Lack of multinational culture knowledge and management experiences.
External Environment	Opportunity	Threats
	<ol style="list-style-type: none"> 1. EU solar panel enterprise can't meet the market need on the whole volume. 2. EU solar panel price do not have competitive advantage compared with Chinese products. 	<ol style="list-style-type: none"> 3. Not familiar with the local law. 4. Lack of competitiveness of JV.

Firstly is financing difficulties, the Chinese enterprise's own capital to outside, no Chinese Banks follow up; At the same time it is hard to get credit each other financial institutions. A large number of private companies in overseas financial activities are very difficult. Now, the administration of foreign exchange within the ongoing qualifies for credit, also bring a considerable amount of debt.

Second, investment destination countries don't understand the laws, regulations and culture. A large number of enterprises overseas investment has great blindness think home is bad to do, go out to do, actually go out to also do not wide. We need like attaches great importance to the export value of foreign direct investment. Exports and foreign investment is a national foreign economic development of the two wheels, when economic development to a certain extent, the export inevitably turned to foreign investment. We still need to strengthen the system construction, set up similar overseas investment promotion bureau of such institutions, overall coordination of Chinese enterprises foreign investment in the face of all kinds of laws and cultural issues, and help enterprises to go out more quickly.

Third, Chinese PV enterprises lack of competitiveness of the joint venture. Chinese enterprises' overseas investment is not based on ownership advantages of competition, hoping to find industry competitive advantage. But in fact, found out the market difficult do, technology is difficult to learn. Now a large number of private companies in overseas are difficult.

6. China Photovoltaic enterprises strategic practical case in Romania.

We are going to present some real case studies happened in Romania market, which Chinese solar panel enterprise are trying to apply new practical strategy. Here with two examples:

➤ Phono Solar and Power One signed global strategic cooperation agreement on Oct, 2012

(PV - Tech on October 26) Phono Solar and new energy, efficient energy conversion and Power management solutions provider Power One signed a strategic cooperation agreement in the world, with the signing as a turning point, the two sides will materially for global strategic cooperation.

According to introducing, in the whole process of strategic cooperation concept of “resources effective integration” becomes the consensus. First is the integration of product lines and marketing channel. Agreement, on a global scale, according to the requirements of different region and the marketing channel, Power, One is to merge its photovoltaic inverter products: set of string type inverter, centralized inverter, the micro inverter, junction box and monitoring system and the Phono Solar modules and photovoltaic system flexibility to integrate auxiliary materials sales.

Followed by the two sides in research idea, research and development information, means of research and development, and product positioning on the cooperation and common development of targeted products, implements the integration of research and development strength.

Third, the project has integrated resources and financial power. In both existing and future of photovoltaic power station project, the resources sharing each other project. Under the same conditions, both sides treat each other as priorities of key equipment suppliers. At the same time, the two sides to the possibility of financial cooperation in the photovoltaic power station for the constructive.

Each quarter in the end, the two sides held a meeting, on global and regional market needs and trends, the regional sales performance, product concept and regional technology transfer policies and regulations, etc and

in-depth exchanges and discussions on a regular basis. The Power One and Phono Solar established trust each other through long-term cooperation, and to agree on enterprise culture and the development idea, this is the important foundation of our cooperation. The Power One and Phono Solar, the two outstanding companies today can achieve strategic complementary cooperation, to promote each other's market share is very positive significance, at the same time I also believe that it will make both parties onto a new stage of development.

The success of the strategic cooperation agreement signed, not only for Phono Solar brand value of affirmation, is also a Phono Solar, adhere to the embodiment of "transverse integration of supply chain strategy. Through this strategic cooperation, both sides a full integration of superior resources, not only can enrich and expand marketing channels, and product line, effectively reduce the hardware cost at the same time, bring tangible benefits for the terminal customers.

➤ **Lightway Solar invest in Solar Park in Romania.**

Lightway was founded in 2008, driving as good quality products manufacturer, professional solution provider and outstanding customer server, has been recognized as a world-leading international company, and growing steadily. Through vertical integration, the company invests in quality solar projects and develops distributed generation, has successfully accomplished solar projects of all kinds in a wide range of markets, including Europe, North America, China, Australia and Asian Pacific regions. In the view of a sustainable development, Lightway is dedicated to meet the energy demands of a changing world.

In March, 2012 Lightway Solar gained a foothold in Romania after acquiring Romanian company Sun Garden Colibasi, in a deal worth EUR 2.49 million. Lightway solar opened branch office in Bucharest in Sep 2012. Chinese Lightway Solar, a photovoltaic manufacturer, plans to invest around EUR 76 million in developing a photo-voltaic park of 50MW in Southern Romania, Giurgiu County, reports Agerpres newswire.

7. CONCLUSIONS

By facing the Chinese Photovoltaic enterprises have to recognize the latest situation and change the export mode of the company strategy from long term perspective. More important is to choose the International direct investment, which would be a best solution from a long run, but Chinese enterprises have to conquer difficulties from the culture and management conflicts which both from law legislation and political policy

risk assessment in Romania. There are so many Chinese solar panel enterprises except Phono and Lightway which have already had many years of export experience with Romania's local consumers, now they are trying some other cooperative model, like developing solar parks together by way of setting up SPV as a joint venture. Chinese solar panel enterprises have a strong advantage in products, which could be considered as capital in the joint venture business. Making full use of this advantage in direct investment in the Romanian market is a deep thought and practical requirement for all Chinese solar panel enterprises who want to have a long win-win strategy in Romania.

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