INVESTMENTS AND TURNOVER: POOL DATA ANALYSIS FOR THE ROMANIAN HOTEL AND RESTAURANT SECTOR

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Investments represent a powerful tool for an enterprise to stimulate economic performance, productivity, and competitiveness in the medium and long term. This paper analyses the relationship between investment and the turnover of active enterprises operating in the hotel and restaurant sector through the construction of a pool data equation created for the eight development regions in Romania (North-East, South-East, South-Muntenia, South-West Oltenia, North-West, West, Centre, Bucharest-Ilfov, for the period 1999–2007. The Romanian tourism sector is still perceived as fragile, even after 20 years of turning into a market economy, as incomplete transition affects the development of various economic sectors and thus also of tourism. The important question is how strongly investment in the hotel and restaurant sector impacts regional development.

INTRODUCTION

The performance of each enterprise depends on various factors, such as the investment policies, business plans, the human resources

management, information and communication technologies (ICTs), changes in technology, environment and the general context of the market. For tourism enterprises, investment brings enormous benefits (both at the national and regional levels) in terms of job creation, improvement of service quality, increased turnover and profits, resources' consumption, environmental protection, and sustainable development. Every type of investment in tourism enterprises should be encouraged by national and local administrations as well as local communities through different forms of tourism management (e.g. incentives, tax deduction, low-interest loans granted by governmental financial institutions, and infrastructure building). Every monetary unit invested in the tourism sector will give a return to the local or national economy due to the industry's multiplier effect (that is, by creating jobs in the tertiary sector and encouraging growth in the primary and secondary sectors). The improvement in the quality of tourism services attracts tourists who will spend more. At the same time, hotels purchasing food and beverages from other enterprises could diversify their range of providers as well as types of products purchased. Investments have their own multiplier effect—a unit change in investment generates a corresponding change in national or regional income. According to the Keynesian theory, when the level of investment increases by some amount (ΔI), the equilibrium level of income will increase by some multiple amount (ΔY).

The tourism industry has a wide range of dynamic effects, it influences people's lifestyle, generates its own patterns of growth in the national or local economies sustains infrastructure development creates new opportunities for economic, social, and cultural development generates jobs and income at the local or regional level, and generates a conductive business climate for enterprise development. Still, tourism affects developed and developing countries differently. Developed countries, which enjoy stronger economies and more developed infrastructures, also enjoy higher returns and better multiplier effects from tourism investments, compared to developing countries. Higher opportunity cost of tourism investment has disadvantages; developing countries benefiting less as compared with developed ones (Akal, 2010).

Tourism is a big industry comprising many sectors such as accommodation, food and beverage services, recreation and entertainment, transportation, and travel services. Each of these sectors contributes to tourism development in various destinations, and has different structures, and performances. However, in many countries, only the hotel and restaurant (HR) sector is separately analysed as being the one closely related to tourism, being also statistically separate from the

others.

The investments in the HR sector are also important for Romanian tourism, as it is faces several problems, such as the decrease in foreign tourists demand, labour force migration, poor remuneration, low volume of investments, poorly trained human resources, and low competitiveness of the tourism supply.

The present paper aims to analyse the relationship between investments and turnover in the HR sector at the regional level in Romania using a pool data analysis. The paper starts with a literature overview on the impact of investments on tourism, followed by an analysis of the general development of the Romanian HR sector. Section three presents the regional disparities in investments in the HR sector. Section four presents theoretical aspects of the methodology of the pool data analysis, followed by a pool data analysis on turnover and investments and the results and discussions of the data obtained. The last section concludes the article.

BRIEF LITERATURE REVIEW RELATED TO INVESTMENTS IN THE TOURISM SECTOR

Investments in tourism maintain the productivity of tourism enterprises and help their development. If a tourism enterprise registers a growth below the medium evolution of its market or sector of activity in the medium and long term, its sustainability could be seriously affected— it could lose its competitiveness and might have to be closed.

Tourism enterprises and industries are under tremendous competitive pressures from countries competing as new destinations that benefit from resources that are intact or hardly exploited, or have very favourable economic conditions including low wages and soft currencies (Korres, 2008). Investments are a key element in sustaining the competitiveness and long-run efficiency of a destination.

Scientific literature debates on the role of investments in the tourism sector, and emphasizes aspects linking investments and the tourism sector. Ashe (2005) sustains the prioritisation and mobilization of investments in small states, in the end, tourism being integrated in sustainable development and poverty reduction strategies—"tourism can no longer be relegated to a secondary position in policy development". For the future of the tourism industry, professional business planning and a vision should guide tourism investments (Psillakis, 2009).

Siegel and Alwang (2005) examine the economic, social, and environmental impacts of tourism development and raise questions about

the poverty reduction strategies within targeted poor areas. Their objectives are to assess the potential poverty impacts of tourism investments; the attitudes of key tourism stakeholders towards the economic, fiscal, social, and environmental objectives the outcomes of a tourism development program, and so on. The authors examine the orientation of the infrastructure investments' made in Rio Grande do Norte concluding that the direction of investments was not inherently pro-poor.

Peric et al. (2009) outline the role of international financial institutions in financing tourism projects from developing countries, taking into consideration the type of investments, their effects on the local economy, as well as the results of the investments. The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP, 2001) attempted to identify the issues and obstacles to investments in tourism infrastructure, and emphasized the need for governments and agencies at all levels to create a climate for investments that ensures "equitable distribution of benefits and a clear and transparent decision-making process".

Tourism is an engine of generating investments in new infrastructure and has an import role in stimulating competition (Brida et al., 2009). Forsyth and Dwyer (2003) identify several benefits and costs of foreign investments in Australian tourism, also referring to their effects on tourist flows, regional socioeconomic impacts, changes in industry structure and so on. The authors conclude that Australia could maximise its economic gains from tourism by "maintaining a liberal attitude towards foreign investment". Kandelaars (1997) investigates tourism in the Yucatán peninsula developing a dynamic simulation model to study the relationships between the economy, environment, and population. As indicated in the model, in the long run, stimulating tourism investments has unwanted effects for tourism.

Candela et al. (2008) developed a model that consisted of a "sequential non-cooperative game with equilibrium in terms of positive expected firm profits and a policy maker net balance ending up with a non-zero-sum game and a double failure" (a market failure when the firm interrupts and abandons the investment and a public failure respectively).

Though there are numerous debates among various authors on investments in tourism, the present paper aims to investigate the existing relationship between gross investments and the turnover of active local units from the HR sector through an analysis customized to the Romanian development regions, using the EViews software to estimate a pool data equation.

Investments in tourism could lead to creation of sustainable tourism goods that may increase accumulated wealth in the sector, now and in the future. To attract investments, a minimum economic activity in relation to market conditions and a balance between the different categories of assets are needed.

GENERAL CONTEXT OF THE HOTEL AND RESTAURANT SECTOR

The development of the HR sector in Romania was in line with the general economic evolution of the country. In 1990, Romania started its transition from communism and a centralised economic system to capitalism and a market economy. In 2007, Romania experienced another major change when it joined the European Union (EU) and this had an impact on the HR sector.

Lacking major investments, Romanian tourism has not developed sufficiently in the last 20 years, although this domain has recently been perceived as an important economic sector by the government and is benefiting from European funds. Consequently, many accommodation facilities have been upgraded or constructed both in the main cities and the countryside.

Nevertheless, it is the domestic costumers and not foreign visitors that are the main segment of demand for the HR sector. Romania has one of the lowest proportion of international tourism nights compared to total overnights among the EU countries (17.1% in 2006) (Eurostat, 2008).

Two of the most relevant indicators characterising the general HR sector development are the *share of the HR industry in total net investments* and in *total gross value added* to the Romanian economy. The analysis of these shares in the period 1990–2007 (see Figure 1) reveals a similar trend for these two indicators, explained by the fact that both investments and gross value added (GVA) are part of the gross domestic product (GDP). In the last years of the analysed period, the values of these shares were rather close: the HR share in the GVA was slightly above 2% while the HR share in total net investments was slightly below this value. However, in recent years the HR share in net investments is obviously above the same average share for the period 1990–2007 emphasizing the dynamics of investment in the HR sector during these years. Nevertheless, the evolution of these indicators is in fact contradictory and no clear and consistent development of the HR sector is observed from the GVA (and GDP) point of view in the period 1990–2007.

Another relevant indicator is foreign direct investment (FDI) in the HR sector (see Table 1).

Figure 1 HR share in total net investments and GVA in Romania, 1990-2007 (%)
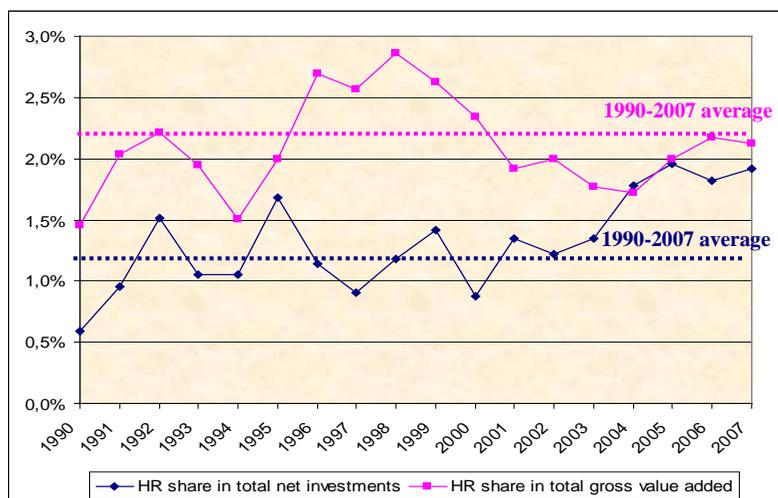
Source: National Institute of Statistics (NIS), 2009 Statistical Yearbook, computed values

For the period 2003–2008, a boom in FDI in the HR sector was registered in 2006 and 2007 in absolute terms: €270 and €280 million, respectively. In the previous years, lower values have been registered: €29 million in 2004 and €42 million in 2005. In 2008, a slight decrease in FDI for the HR sector was registered (it was €181 million in that year), probably the early signs of the economic crisis which would also affects Romania. In relative terms, the HR share in total FDI in Romania is rather insignificant (generally bellow 1%), which reveals that tourism as a sector is not very important or attractive for foreign investment.

It has to be admitted though that much of the investment in the HR sector is by domestic investors not foreign ones, although it is recognized that "the involvement of renowned international hotel chains in management contracts has raised the profile of this sector among international investors" (World Tourism Organization, 2007, 29).

Table 1 FDI in the HR sector in Romania, 2003-2008 (million €)

	2003	**2004**	**2005**	**2006**	**2007**	**2008**
FDI in HR sector	109	29	42	283	270	181
FDI - total	9,662	15,040	21,885	34,512	42,770	48,798
HR share (%)	**1.13%**	**0.19%**	**0.19%**	**0.37%**	**0.63%**	**0.37%**

Source: National Bank of Romania, Survey on FDI, conducted by the National Bank of Romania and the N.I.S.

However, the perspectives of investment growth are more than optimistic. The World Travel and Tourism Council (WTTC) estimates for the period 2007–2016 are a robust 6.2% of 10-year real growth of capital investment in travel and tourism which places Romania in the third position in the European region and twenty-first position in the world. "Definitely this ranking sends a positive message to travel and tourism operators at home and abroad that Romania is well positioned to attract significant new business ventures" (WTTC, 2006, 27).

REGIONAL DISPARITIES IN INVESTMENTS IN THE HOTEL AND RESTAURANT SECTOR

The evolution of indicators such as the gross investments of local active units (GInv_LAU) or the turnover in the HR sector emphasise important disparities at the level of the major developed regions (NUTS II level) in Romania, reflecting in part those displayed by the business environment and the level of general economic development. The disparities of these two indicators were analysed.

A dynamic and flexible service sector was observed in the recent years, but it was also a highly competitive one dominated by small and medium enterprises (SME's), which absorb a significant percentage of the labour force in the Romanian private sector. However, small enterprises represent majority of the active units in the HR sector.

In 2007, in terms of the GInv_LAU in the HR sector, the Bucharest – Ilfov region occupied the highest position with 338.85 millions lei (constant prices, 1999 base period) among the development regions in Romania (see Figure 2). Bucharest has an active and dynamic business environment and as is an important centre for services in addition to being the capital city of Romania, and attracts business tourism throughout the year. Consequently, the level of investments in the HR sector display the highest values compared to other regions of the country during the last

few years.

The Bucharest-Ilfov region is followed by the Centre and South-East regions, each exceeding the threshold of 100 million lei for 2007. Both regions had important tourism resources and infrastructure and attracted a number of tourists. The South-West region had the lowest level of gross investments accounting for only 33.41 million lei in 2007.

**Figure 2** Regional disparities of GInv_LAU in the HR in Romania (2007)
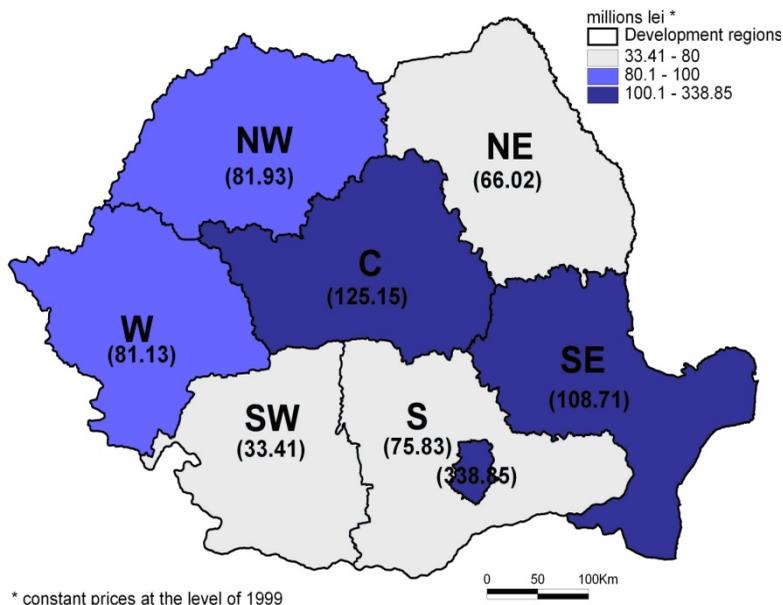
Source: data processed by the authors using the data from the N.I.S.

However, the evolution of the GInv_LAU in the HR sector in 2007 as compared with 1999 showed an increase for all the regions. The most important growth rates were registered by the West (10.14) and Centre (8.69) regions. Increased growth rates in gross investments for the HR sector were also registered in this period for the South and North-West regions (see Figure 3).

Although it did not have as considerable a growth in 2007 compared to (the figures displayed in) 1999 in terms of gross investments, the

Bucharest-Ilfov region showed by far the highest level of this indicator, mostly due to important increases occurring in 2000–2001, 2004–2005, and especially in 2006–2007.

Figure 3 Regional disparities in the evolution of the GInv_LAU in the HR in Romania (2007/1999, %)
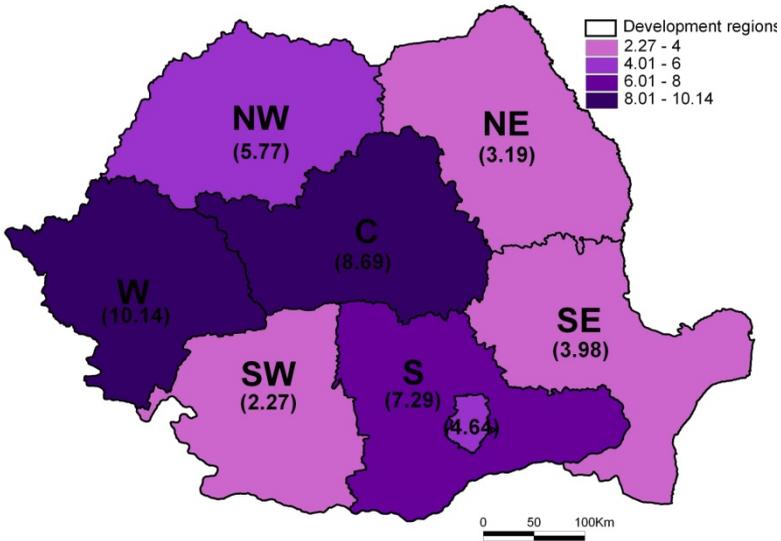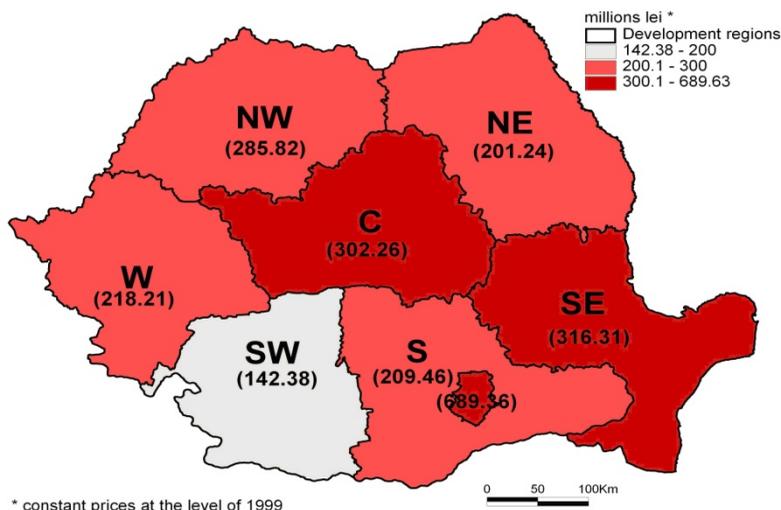

Source: data processed by the authors using the data from the N.I.S.

Turnover for the HR sector showed a similarly high position for the Bucharest-Ilfov region, which registered a value of 689.36 millions lei in 2007 (in constant prices considered at the level of 1999 as the base period) (see Figure 4). As in the case of gross investments, the South-East and Centre development regions followed Bucharest (though far behind), each having turnover valued at over 300 million lei while the South-West region came last with a turnover of 142.38 million lei. The high value displayed by Bucharest is explained by the profile of its tourism market, which is oriented towards business tourism. The capital city consequently has a concentrated number of highly priced accommodation units of large capacities and different comforts.

The evolution of turnover for the HR sector in the period 1999–2007

showed a clear increase. However, this is lower than that of investments, the highest value for the North-West region was 3.37 %. Rates of over 2.5% were also registered by the West and South regions (see Figure 5).

Figure 4 Regional disparities of turnover for HR in Romania (2007)
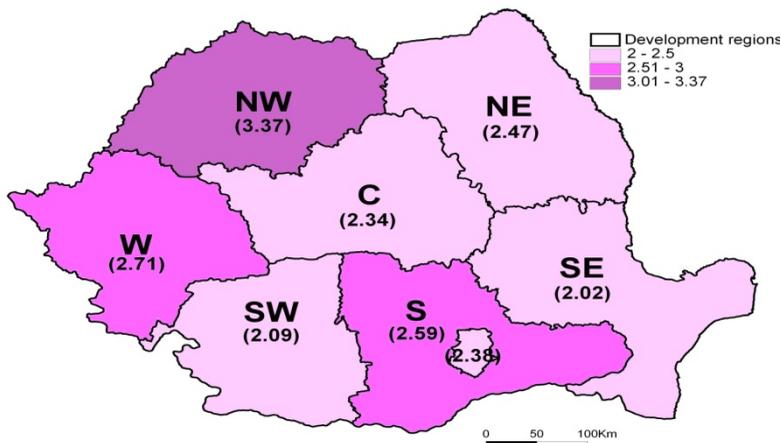

Source: data processed by the authors using the data from the N.I.S.

Although the rate of increase was not dramatic, due to the high levels of turnover registered in 1999 (over 300 million lei), the Bucharest-Ilfov region had the most important and dynamic evolution in turnover in the period 1999–2007. As in the case of investments, a peak was registered in the 2000–2001 period, which marked the starting of increase in GDP, followed by a decline and then again a rise in the 2005–2007 period. However, in the case of investments the period of decline after the year 2001 was longer. For turnover, only 2002 represented a stagnant period—after this year, the Bucharest region registered an uninterrupted increasing turnover rate. Another important growth period in the North-West region was 1999-2007, when the region attracted investments especially from important European structural funds through different programmes mostly during the periods 2002–2003 and in 2005–2006. However, contrary to all the other regions, which registered increased turnover rates in the HR

sector in the period 2005–2006 and mainly in 2006–2007, the North-West region stagnated and even registered a small decline in 2006–2007.

Figure 5 Regional disparities in the evolution of turnover for HR in Romania (2007/1999, %)

Source: data processed by the authors using the data from the N.I. S.

Besides the general economic development, regional disparities and evolution of the two indicators analysed above for the HR sector were influenced by the level of tourism development and the manner in which tourism developed—aspects influenced in their turn by the type of tourism resources and attractions. Consequently, the important values displayed by the Centre region, both in terms of gross investments and turnover for the HR sector for the reference year 2007 and from an evolutionary perspective during the period 1999–2007, are explained by its various tourism resources (mountains having winter sports facilities, trekking and hiking facilities during summer, cultural attractions including some that are part of the UNESCO heritage, a dynamic and attractive business environment for incentive tourism and various business events) that generate demand for tourism throughout the year. The South-East is also important both in terms of investments and turnover for the tourism sector mainly due to mass tourism which, although highly seasonal, registers a sizable number of overnights and brings high revenues for the Black Sea resorts. The Danube Delta is a

very attractive area for tourism in the region during the summer season but contributes less to the value of these economic indicators as its economic environment is not very dominated by important private investors and hotel chains in terms of accommodation units and food services, while the local business environment is based primarily on small investments from local communities. This could be in part the argument also supporting the low figures of investments and turnover for the North-East region. In spite of its high potential for tourism development due to its important and varied resources, the business sector of HR is dominated by SMEs run by authorized physical persons (APPs) and family association (FA) types situated in the rural areas, which have less financial power and a discontinuous character to their investments. Small-scale tourism units, the low-mass character of tourism demand and the unattractive economic environment explain the lower figures of investments and turnover for the HR sector in North-East region. The West and North-West regions occupy the third and fourth place both in terms of gross investments and turnover for the HR sector in the year 2007, emphasizing the important evolution in the period 1999–2007. The values could be explained by the attractive conditions for investment in the business sector in general and for the HR sector in particular in this Romanian region. Important gross investments in tangible goods (e.g. spa resorts) in the HR sector were made in 2006 towards many beneficiaries located in these regions. However, the Bucharest-Ilfov had highest values both in terms of gross investments in tangible goods and turnover in the HR sector in the reference period as it attracted the highest volume of both international and domestic tourists in Romania, although most were attracted by business tourism and less for leisure.

RESEARCH METHODOLOGY

To test the links between the chosen variables, gross investments in tangible goods, and the turnover of active local units from the HR sector, a pool data model was created for the Romanian development regions using statistical data and the EViews software for analysis.

The data used in pool analysis were collected from the Romanian Statistical Yearbook (provided by the NIS). Thus data set, which used time- series cross-sectional data, contained a total of 72 observations. The eight development regions (North East—NE, South-East—SE, South-Muntenia —S, South West Oltenia—SW, North West—NW, West—W, Centre—C, Bucharest-Ilfov—B) were observed for 9 years from 1999 to 2007. The data were collected annually for the analysed period, and

expressed in constant prices (using the consumer price index) for the base year 1999.

The analysed period included events that influenced the Romanian economy. Since 2000, the Romanian economy has bounced back and until 2008 the GDP has recorded an increase, the year with the highest economic growth rate being 2004. Also, the year 2007, marking Romania's joining the European Union, represented another reference period.

A pool data analysis consists of a mix of data and time series for different entities—development regions in our case. The estimated model can be written as:

$$Y_{it} = \alpha + X_{it}\beta_{it} + \delta_i + \gamma_t + \varepsilon_{it} \qquad (1)$$

where Y_{it} represents the dependent variable, X_{it} vector of regressors, α is the parameter representing the overall constant in the model, β_{it} are the regressors coefficients, δ_i are cross-section-specific effects (random or fixed), γ_t are period-specific effects (random or fixed), ε_{it} are error terms (for $i = 1,2,\ldots,$M cross-sectional units observed for dated periods t = 1,2,…,T), i are number of cross-sections and t is the time period.

Our data set has information on a small number of variables observed over a small period of time called pooled time series, cross-section data. In the described model used to analyse the relation between turnover and investments, we have selected *fixed effects* specifications for cross-sections, meaning that the pooled model does have constant slopes but intercepts differ according to the region. The cross-sectional fixed-effects specification implies the removing of the cross-section specific means from the dependent variable and exogenous regressors, and then performing the specified regression on the demean. EViews automatically includes a constant term so that the fixed effects estimate the sum to zero, being interpreted as derivations from an overall mean. There are significant differences among regions in this model but there are no significant temporal effects for the analysed period 1999–2007.

According to Greene (2002), "fixed effects model allows the unobserved individual effects to be correlated with the included variables". The fixed-effects specification assumes that the effect (δ_i) is correlated with the idiosyncratic residual ε_{it}.

The model used in estimating the equation is the ordinary least squares regression, which has a balanced sample. The built regression

equation has common coefficients, implying that the enter variables have the same coefficients across all cross-section members of the pool equation. All observations are given equal weight in the estimation.

The data are grouped under the *unstacked data form*, meaning that observations on a variable for a development region are grouped together, but are separate from observations for other variables and other regions.

The pool data analysis was chosen because of the connected effects which may occur due to changes in the investments policies of enterprises that may differ from one period to another and from one development region to another.

A POOL DATA ANALYSIS ON TURNOVER AND INVESTMENTS: RESULTS AND DISCUSSIONS

This section aims to investigate the relation between gross investments in tangible goods and turnover of active enterprises operating in the HR sector. The main question is if, at a regional level, taking into consideration the eight development regions in Romania, a regression equation can be constructed with turnover as a dependent variable and gross investments as a manipulated variable.

Figure 6 Scater plot on turnover and gross investments in tangible goods of the HR sector in Romania, period 1999-2007
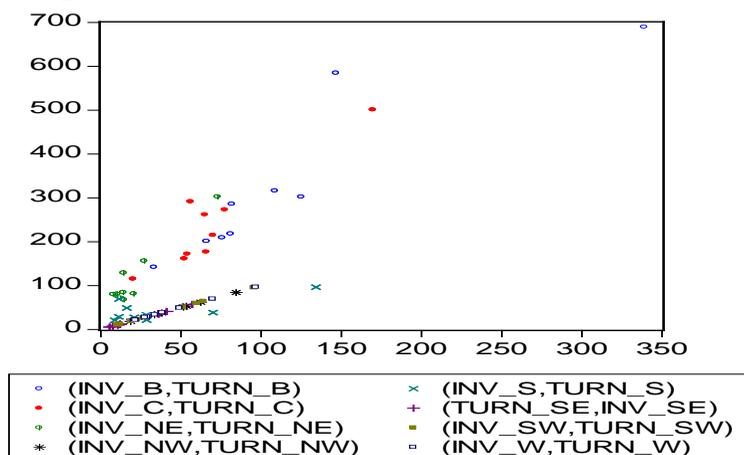
Source: authors calculations, displayed using Eviews software

The regression equation is displayed below:

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$$TURN_{it} = \alpha + INV_{it} \times \beta_i + \delta_i + \varepsilon_{it} \qquad (2)$$

There is a total of k coefficients in β, each corresponding to an element of INV_?, INV_? are the gross investments in tangible goods of active local units from the HR sector by development regions; α is the parameter representing the overall constant in the model; β_i indicates the presence of cross-section specific-effects terms, handled using the fixed-effects method. There are k in each β_i for a total of Mk slope coefficients. TURN_? is the turnover of active local units in the HR sector by development regions, δ_i are cross-section fixed effects; ε_{it} are error terms; i are 1,2…8 development regions, and t are the 1,2…9 years of analysis.

The results of the data processing through EViews are displayed in Table 2.

Table 2 Pool data regression equation results

Dependent Variable: TURN?
Method: Pooled Least Squares
Sample: 1999 2007
Included observations: 9
Cross-sections included: 8
Total pool (balanced) observations: 72

Variable	Coefficient	Std. Error	t-Statistic	Prob.
α	25.763	8.505	3.029	0.0036
INV? (β_i)	1.695	0.134	12.662	0.0000
Fixed Effects (Cross)				
_NE— δ_i	54.792	_W— δ_i	-55.672	
_SE— δ_i	-42.652	_NW— δ_i	-57.080	
_S— δ_i	-44.814	_C— δ_i	96.341	
_SW— δ_i	-53.753	_B— δ_i	102.838	
Effects Specification				
Cross-section fixed (dummy variables)				

R-squared = 0.8996; Adjusted R-squared = 0.8869; Durbin-Watson stat = 1.944; F-statistic = 70.579; Prob(F-statistic) =0.000

Source: authors calculations, displayed using Eviews software

For the validation of the regression equation, few of these statistics require to be discussed. First, the absolute values of the t-statistic corresponding to the coefficients of the function indicate that the estimated coefficients are statistically significant at a p-value of 1%. The overall regression as measured by the R-squared value fit of almost 90%, indicates a very tight fit. The p-value given for the F-statistic is the marginal significance level of the F-test. The p-value is essentially zero, so we reject the null hypothesis that all of the regression coefficients are zero, showing that the model is relevant.

The interpretation of the reported R-squared and F-statistics describe the explanatory power of the entire specification, including the estimated fixed effects and the use of reported information criteria such as the number of parameters and estimated coefficients including fixed effects. The value of the Durbin-Watson statistic reported above (1% significance points of dL and dU), namely dU=1.501<dcalc=1.944<(4-1.501=2.499) shows that the residual variables are not correlated serially. The reported Durbin-Watson statistic is formed simply by computing the first-order residual correlation on the stacked set of residuals.

In conclusion, the model may be considered representative at the regional level of the connection between the turnover and gross investments in tangible goods. The obtained results based on the constructed model indicate that gross investments have a strong influence on the turnover of a hotel or a restaurant.

The regression coefficient β_i shows the average changes (increase or decrease) of the variable turnover to a unit change in the variable gross investments. The regression coefficients $\beta_i>0$ indicate a direct link between the analysed variables. The increase in gross investments generate an increase in turnover in an active enterprise operating in the HR sector.

For the eight development regions in Romania included in the sample, the results obtained show the evolution of the dependent variable and the regressor—it is a direct relationship. This means that an increase in the level of gross investments in tangible goods could lead in time to an increase in the turnover of the enterprises operating in the HR sector.

The regression equation for the pool data indicates that there is a direct and strong influence of gross investment in tangible goods in an enterprise's turnover, meaning that a 1 leu increase in the gross investment at the regional level generates a 1.695 lei increase in the turnover of enterprises in the HR sector. Each monetary unit spent as

investment in a tourism enterprise will multiply its turnover and spread additional benefits not only for the respective economic unit (in terms of income, profit) but also provide better services for the customers, build a better image or the enterprise and strengthen its competitive market position. Also, it would increase employee confidence as investments are business offerings that ensure sustainable jobs, and spread economic, social and environmental effects in the local community. A strong tourism sector also ensures sustainability and a strong capability to overcome any future economic crisis, uncertainty or risk period (e.g. climate change effects).

CONCLUSIONS

Investments are for a business what fertilizers are for agricultural land—they are the stimulus for production. For hotels or catering businesses, investments in the management team represent an effective tool for adaptation to increasingly sophisticated customer demands and the market, as well as a way to bring innovation and quality services into the enterprise to keep it competitive in a risky and uncertain business environment.

Effective investments provide sustainability to the tourism business, being good instruments to be one step ahead of the market, to anticipate change or to launch a "fashion" in terms of tourism products. Investments represent the "spark" for the business and help boost its market position as compared to other competitors. Tourism investments should carefully planned by professionals having a powerful vision aiming the future success of the industry.

The Romanian HR sector had to overcome a difficult period of transition to the market economy, but despite the difficulties brought by the lack of investments, poor human resources training, decreases in tourist flows or low percentage of foreign tourists' demand, tourism is considered a priority for the development of the Romanian economy. Romanian tourism potential should inspire entrepreneurs to make investments in the HR sector, but regional disparities and other regulations and bureaucratic constraints limit the total volume of investments. However, there are some "star" development regions in Romania where the volume of investments has increased significantly proportion (West, Centre, Bucharest-Ilfov) in the past few years.

The constructed pool data regression equation for the eight development regions in Romania for the 1999-2007 period, using turnover as the dependent variable and gross investments in tangible

goods of the active units from HR sector as regressor indicate that the regressor has a strong direct influence upon the dependent variable. The econometric results indicate that the enterprises operating in the HR sector should not neglect the investment component in their management policy if they're aiming at the long-term profitability and sustainability of their business. A strong business is one which has the power to invest during periods of recession and to transform its weaknesses to strengths through investments.

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