OVIDIUS UNIVERSITY ANNALS

ECONOMIC SCIENCES SERIES

Volume XVIIII
Issue 2

Year 2018

ISSN-L 2393-3119 ISSN 2393-3127

OVIDIUS UNIVERSITY ANNALS ECONOMIC SCIENCES SERIES

Volume XVIII Issue 2

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Section I

International Affairs

A Perspective about Rural Entrepreneurship in Belgium and Spain

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Abstract

Rural areas present now a double challenge is: improving competitiveness by adding value to agricultural products and finding alternative activities such as forms of rural tourism. Dependence on a limited number of products in some regions may make them vulnerable to economic crises or restructuring threats.

The purpose of this article is to present some aspects of rural entrepreneurship. The method used is based on a comparative analysis between two countries considering the population involved in rural activities and the rural development programs applied in these countries.

Key words: Rural entrepreneurs, rural areas, rural infrastructure

J.E.L. classification: Q01, Q10, Q56, Q57

1. Introduction

Rural entrepreneurs make a significant contribution to the economic growth of communities in which they live and develop their own businesses.

The rural entrepreneur is no longer the traditional farmer, He engages in a variety of activities far wider than agriculture. Rural entrepreneurs are dynamic, and the reduction to agrarian activities that are undoubtedly important, but certainly not the only entrepreneur's expression, would be an error. In this context it is necessary to define the rural areas, because there is a whole variety of types (Van Hecke & Luyten, 2001):

- 1. the basic rural area, with a high potential for rural activities and without real pressure from urbanization or people leaving the area.
- 2. remote and disadvantaged rural areas which are peripheral both geographically and socio-economically.
- 3. the peri-urban rural areas which are in the immediate vicinity of urban areas and are therefore urbanized under pressure

European Commission define a rural area as "an area where more than 50 % of its population lives in rural grid cells, as used in the degree of urbanization" (European Commission).

There are several real and perceived advantages that can attract people to live in (some) rural areas: reduced housing and living costs, more space, better social structure, less pollution, closeness to nature, or lifestyle less stressful. There may also be a few disadvantages, for example: fewer opportunities for development; difficulties in accessing public services or transport services; or lack of cultural / social places for leisure activities requiring infrastructure.

2. Literature review

Modern society causes major changes in the rural area, appearing in the need for recreation, entertainment and recreation areas. In this context, agricultural activities tend to be reduced, especially as incomes earned directly from agriculture are generally low. Because of this, very strict rules are imposed in rural areas on the protection of the environment and the efficient use of

resources. (Van Hecke, Meert and Christians, 2000).

The subject of rural entrepreneurship reflects a certain environment limited to local and regional conditions and their revitalization. The proposed change addresses the typical problem of rural entrepreneurship / adequate and effective policies that support in rural areas (Avramenko and Silver, 2010).

The importance of rural entrepreneurship lies in the fact that entrepreneurs can quickly identify solutions to the local problems of the community by offering goods that meet local requirements and create jobs adapted to the local people's skills. In addition, they become involved in the life of the local community, becoming models to follow in the community (Fourtunato, 2014).

According to studies conducted by Eurostat, young farmers in the EU have a reduced share of the total number of farms, higher levels of professional qualifications than older farmers, lower than average earnings, high levels of net investment and high return on assets (FSS, 2013).

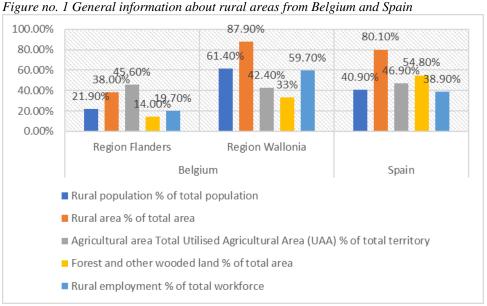
Rural entrepreneurship is still not the number one priority for decision-makers in rural development and practitioners. A priority task should be to identify opportunities for change in attitudes and policies at institutional level. Research on agricultural enterprises shows the nature of the relationship between the dynamics of agricultural restructuring and the emergence of new businesses in rural areas (Carter, 2006, p. 345)

3. A comparative analysis between Belgium and Spain regarding rural entrepreneurship

The EU's rural development policy aims to support rural areas to successfully meet the economic, social and environmental challenges. For the 2014-2020 period, three strategic objectives were identified: increasing the competitiveness of agriculture; the sustainable management of natural resources and the balanced territorial development of rural areas.

Belgium belongs to the countries with the highest population density of nearly 350 inhabitants per km². This is even more pronounced in the north of the country (Axa Walloon, Brussels and Flanders). Therefore, based on the parameters used by the EU to measure the rural area, only a few rural areas are in Belgium.

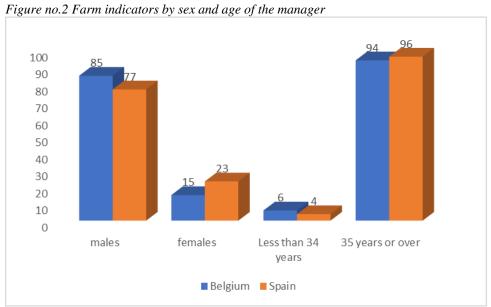
Within the countries of the European Union there are significant differences in the size of the population living and working in rural areas. Spain and Belgium are among the European countries where the largest proportion of the population lives in urban areas, as it can be seen in Figure no.1.



Source: Elaborated based on data from:

https://lv.vlaanderen.be/sites/default/files/attachments/vlaams_pdpo_iii-_integrale_versie.pdf https://enrd.ec.europa.eu/sites/enrd/files/es_natprog_rdp_qnt_summary_v1_2.pdf, https://enrd.ec.europa.eu/sites/enrd/files/be_wl_qnt_summary_v1.pdf

The analysis of the farms in Belgium and Spain, according to the manager's age and gender, highlights several issues. The share of women holding a farm is rather low compared to men. Only 15% of Belgian farms have a female manager, the share being higher in Spain (23%). As for age, we can see that in both Belgium and Spain, most farms have a manager at least 35 years old (Figure no.2)



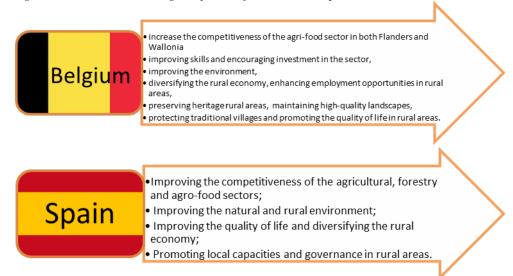
Source: Elaborated based on data from Eurostat, 2018, [ef_m_farmang]

In Spain, only 4% of farms have a manager up to 35 years old. Stopping rural depopulation is the biggest challenge for Spain. The primary sector (agriculture, hunting and forestry) is the main source of population maintenance and employment in rural areas. Demographic aging is another challenge that exacerbates the impact of depopulation. Although they have great potential, rural areas in Spain are facing a decline in their economic importance. This economic downturn is mainly driven by the fact that an increasing number of young people working in agriculture leave these areas to large cities, so that the employment rate in rural areas of Spain is the less and less. This aspect is quite impressive because the entrepreneurial initiative mainly belongs to young people. The phenomenon of depopulation of rural areas is a real threat to entrepreneurial initiative.

In order to improve this situation, we identified several solutions that could help increase the attractiveness of Spanish rural areas for the establishment of new businesses and the manifestation of the entrepreneurial initiative. A first solution is to stop migration of young people in these areas by improving the infrastructure and services offered. Another solution is to increase the attractiveness of rural areas by promoting and capitalizing on the cultural heritage specific to each area and by giving real support to those willing to start a business on their own. Another solution is the realization of competitive products using new production methods. An opportunity for entrepreneurship is the practice of organic farming. Another solution for increasing the importance of rural areas is the practice and promotion of alternative forms of rural tourism, namely agritourism. The agritourism is an authentic and efficient entrepreneurial opportunity for the growth of Spanish rural areas because rural tourism also includes culture, history traditions existing in the rural area which, together with the specifics of the farmhouse, are defining components of the tourist offer. Therefore, the entrepreneurial initiative in the field of agritourism is both a challenging but especially an opportunity for the people in the community.

The main strategic objectives pursued through rural development programs in Belgium and Spain can be synthesized as in Figure no. 3:

Figure no. 3. The main strategic objectives for rural development



Source: Elaborated based *The European Network for rural development*, (2015), 2014-2020 Rural Development Programme

A key challenge in terms of land development and farm management is the promotion of organic production methods such as organic production, integrated farming and extensive farming systems. These are promoted in all regional rural development programs, with a view to preserving and protecting biodiversity and landscapes.

4. Conclusions

Vulnerabilities of rural areas are related to regional differences, accessibility difficulties and poor infrastructure quality, lack of industrial innovation, river and coastal damage, and the prevalence of some traditional industries with low technology intensity. These factors can make setting up new businesses less attractive and contribute to rural depopulation.

Participating in rural promotional fairs and training human resources could be an important source of innovation and knowledge transfer in this sector.

It is necessary to increase the attractiveness of rural areas by offsetting high production costs, improving the provision of rural infrastructure and services, strengthening links between production and marketing stages, promoting entrepreneurship and helping enterprises adapt to new circumstances and challenges.

5. Acknowledgement

This work was supported by a grant of the Romanian Ministery of Research and Innovation, CCCDI-UEFISCDI, project number PN-III-P1-1.2-PCCDI-2017-0884/56 PDDCI/03.04.2018., within PNCDI III.

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BRICS Multinationals: From "Niche Players" to World Players

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Abstract

The global business environment has become a space that allows many companies to exceed their limits; the dynamic internationalization of businesses, the expansion of companies from emerging economies, and especially of those from BRICS economies, the presence of multinational companies owned by the state are just some of the trends that shape the global business environment today.

In this study, based on the data synthesized by UNCTAD in the Top 100 non-financial MNEs from developing and transition economies, we aim to conduct a two-way analysis of the expansion of companies from the BRICS economies in the international business environment. A research direction leads to the regional level, and another direction focuses on the sectoral level. The analysis carried out leads to a series of conclusions on the dynamics and configuration of the world's most important multinational companies from the BRICS economies.

Key words: emerging multinationals, regional transnationalization, sectoral transnationalization, state owned multinationals

J.E.L. classification: F23

1. Introduction

Today, multinational corporations are economic actors whose presence cannot be overlooked when we analyze the nowadays global business environment; the expansion of these companies contributes to the internationalization of production and services, shaping significantly the current world economy (Burciu et. al, 2010). As Drucker notes (2004, p. 25), today there is only one economy and one market, so global competitiveness has become a necessity for companies regardless of whether they produce or sell only on a local or regional market.

A vast body of research explains the expansion of companies in the global economic area mainly through influences felt in the spectrum of economic and social development, especially in the host countries, but also from the perspective of the factors that shape the decision and the tendency of internationalization. Moreover, the UNCTAD studies outline a perspective on the universe of multinational corporations, especially through the empirical evidence from UNCTAD rankings (*The World's Top 100 non-financial MNEs, ranked by foreign assets* and *The top 100 non-financial MNEs from developing and transition economies, ranked by foreign assets*). In our study, we aim to interpret the empirical evidences on EMNCs (*emerging multinational companies*) originating in the BRICS economies synthesized in the *Top 100 non-financial TNCs/MNEs from developing and transition economies, ranked by foreign assets*.

2. Theoretical background. Third World Multinationals: what's in these words?

A growing body of literature converges to consensus when it assigns to Hymer (1976), by his thesis, the first systematic analysis of the expansion of firms beyond national borders (Dunning, 2001; Ietto-Gillies, 1992; Ietto-Gillies, 2005; Ietto-Gillies, 2014). According to Hymer, the areas of scientific concern over the activity of companies across national borders have diversified most

theories trying to explain the motivations of internationalization, expansion strategies, the reasons why some countries become hosts or "mothers" (or both) for companies etc. In this respect, we note a number of notable contributions by Raymond Vernon (Vernon, 1966; Vernon, 1977; Vernon, 1998), P. Buckley & M. Casson (Buckley & Casson, 1976) (Buckley & Casson, 2002), Grazia Ietto-Gillies (Ietto-Gillies, 1992) (Ietto-Gillies, 2005) (Ietto-Gillies, 2014) and, last but not least, John Dunning (Dunning, 1998; Dunning, 2001; Dunning & Lundan, 2008).

Most theories have tackled almost exclusively the issues of MNCs from developed economies, while developing economies were studied only as receptors, respectively as host economies. In the last decades of the twentieth century, however, among the obvious reconfigurations in the international business environment, the expansion of multinational companies from emerging economies and especially those originating in the BRICS economies is noticeable. The imports substitution policies implemented by many developing countries governments in the postwar decades, with the ambitious goal of protecting domestic producers and stimulating economic growth (Malik, Aggarwal, & Professor, 2012; Kicsi, 2013) was viewed with some reserve by many economists susceptible to its real virtues and the ability of these producers to survive in a different business environment than in a protected one. However, in many cases, as Goldstein points out (2007), some of the firms grown on such protected markets (some of which are even created and owned by governments) have turned into new MNCs. Although in 70s and 80s these EMNCs were frequently described by the term *Third World multinationals*, in the global economy of today, these companies have left in the past their status of "niche players" with which they entered the global market and have become important competitors especially in certain industries although with less performance than MNCs from developing countries. For example, in some sectors such as construction and steel multinational companies from emerging countries gained important positions in the world economy and operate with certain forms of competitive advantage (, 2007). MNCs from emerging economies (such as China, for example) can no longer be regarded as "apprentices" in the international arena, but rather as a new group of "emerging catch-uppers" (Marinov & Marinova, 2013; Williamson, Ramamurti, Fleury, & Fleury, 2013) capable to develop or reinforce their competitive advantage through innovation (Herciu, 2015) and by accessing new resources and knowledge or exploiting more effectively their advantages in the international business environment. Furthermore, some authors, such as Rob van Tulder (in Sauvant, Maschek, & McAllister, 2010, pg. 61-74), advocate the idea of a distinct theoretical approach to explain the emergence and expansion of multinational companies from the BRICS economies. Thus, he proposes a quite heterodox Goldstein approach, based on identifying some idiosyncratic elements in internationalization strategies of BRICS companies and their relationship with the policies developed by the governments of their economies of origin. Van Tulder identifies a number of issues for reflection and reevaluation, namely, the relationship with the governments of the countries of origin, the importance of market power in the domestic markets, the reappraisal of the impact of economic size and its relationship with political power (which, in van Tulden's point of view, requires specific research/studies on EMNCs from the BRICS economies), the reappraisal of the general theory of firms and also a refinement of explanations on BRICS specific.

3. BRICS multinationals as global players

The universe of multinational companies has experienced a significant expansion in the post-war decades that has reconfigured the international business environment. In addition to increasing the number of companies that have expanded their operations abroad, the transition to a "pluralist" system is worthy of note (Gilpin, 2004; Micklethwait & Wooldridge, 2005). Thus, if during the 60s and 70s internationalization was mainly an appanage of US companies, since the early' 80s European and Asian companies have become important players in the international business environment. Moreover, as we illustrated in Table 1, alongside the companies with their origins in developed economies, in the world arena it began to feel the presence, also initially with some "shyness", of companies from developing economies.

Table no. 1. Distribution of parent companies and affiliates of MNCs by country *

	Parent corporations (located in)			Foreign	affiliates (lo	cated in)
Year	Beginning of the 90s	2010	Index of dynamics	Beginning of the 90s	2010	Index of dynamics
Developed economies	30900	73144	236,71%	73400	373612	509,01%
Developing economies	3800	30209	794,97%	62900	512531	814,83%
BRICS	1700	20260	1191,76%	32614	454263	1392,85%
Brazil	566	243	42,93%	7110	4547	63,95%
Russian Federation (former CIS)	68	116	170,59%	3900	2139	54,85%
India	187	1078	576,47%	926	2033	219,55%
China	379	12000	3166,23%	15966	434248	2719,83%
(Hong Kong)	500	6592	1318,40%	2828	10621	375,57%
South Africa	-	231	-	1884**	675	35,83%
World total	35000	103786	296,53%	147200	892114	606,06%

Source: Calculated after (UNCTAD, 1993), (UNCTAD, 2011), (Kicsi & Burciu, 2018)

The four major emerging economies (Brazil, Russia, India, China), joined later by South Africa, already known as the BRICS economies, have become emblematic for the modern concept of globalization, they being viewed as potential major economic actors of the 21st century (Collins, 2013). For example, UNCTAD (2018) estimates that, in 2015, BRICS's outward flows of foreign direct investment amounted to almost \$ 190 billion, representing about 11% of the world total (compared with only 3.76% in 1992). These evidences reflect, among other things, the emergence and expansion of BRICS companies in the global arena; the data presented in the table above reflects the more pronounced trend of expanding business abroad for companies from developing economies and especially for companies from BRICS economies. The Index of dynamics reflects the fact that the number of BRICS companies that have expanded their business across their country's borders has increased about 12 times, far exceeding the world average but also the performance of companies from developed countries. As a matter of fact, the BRICS economy group is credited as one of the driving forces that have fueled the emergence and expansion of FDI flows from emerging economies (Sauvant et al., 2010). Sauvant et al. (2010), (Collins, 2013) and others believe that the most significant reconfiguration in the top 500 largest companies in the world is the widespread presence of companies originating in emerging economies such as the BRICS group. MNCs from emerging economies are internationalizing faster than their competitors from developed economies. Collins (2013) believes that this trend reflects, on the one hand, the considerable capital held by the EMNCs from BRICS and, on the other hand, the dynamic nature of these companies that are internationalizing at an early stage in their existence.

Worthy to mention is the fact that in 1990, the *Top 100 non-financial TNCs* was an "exclusive club" of companies from developed economies. 1996 is the year when the first emerging economies entered the top 100 non-financial TNCs, respectively Daewoo and Petroleos de Venezuela (UNCTAD, 2007). In 1999, a Hong Kong-based company, Hutchinson Whampoa Ltd, first entered this top with a TNI of 38% (UNCTAD, 2001); in 2004, the first company from China, CITIC Group (having a TNI of 20.4% and 14 affiliates abroad out of 59 total) entered this top (UNCTAD, 2006). Brazil, Russia and India entered later the global top.

4. Setting the context: regional and sectoral frame

To outline a regional and sectoral perspective, based on the information provided by *Top 100 non-financial MNEs from developing and transition economies* (2016), we have calculated a regional and sectoral concentration of foreign assets and the regional and sectoral

^{*} Note: The situation presented in the table has some limitations derived mainly from discrepancies that occur between countries in data reporting and collection (for example: some countries do not communicate data on MNCs and affiliates operating on their territory, others only report data on affiliates whose sales and number of employees exceed certain limits, etc.) (UNCTAD, 1993).

** 1978

Transnationalization Index. The indicators reflecting the concentration of activities abroad (Figure no. 1) leads to the conclusion that EMNCs from BRICS accumulate about 58% of foreign assets held by 100 companies in the 100 financial MNEs from developing and transition economies and only about 13% of the assets held abroad by companies included in the global top 100. However, the level of internationalization of BRICS companies reflected by TNI at regional level (28%) is below the average of the top 100 EMNCs (37%) and well below the average internationalization level of companies in global top (61%).

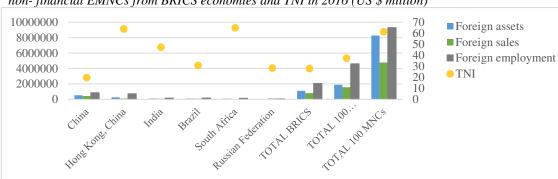


Figure no. 1. Concentration of foreign assets, foreign sales and foreign employment of non-financial EMNCs from BRICS economies and TNI in 2016 (US \$ million)

Source: Processed after UNCTAD (2018)

EMNCs from China (without Hong Kong), although having the highest value of foreign assets compared to other BRICS companies, still have the lowest level of internationalization. The most internationalized are South African companies, followed by those from Hong Kong and India. Multinational companies from developing economies of BRICS have penetrated into sectors dominated traditionally by industrialized countries, although their performances are still modest in terms of the value of their foreign assets. In many cases, they tend to retain much of their operations in their home economy, especially in low-tech industries (UNCTAD, 2017).

The analysis of the foreign assets and the level of internationalization leads to the conclusion that the trend of sectoral internationalization is neither constant nor uniform. It seems that some sectors

(e.g. agriculture, forestry, & fishing; construction; health care services; hotels and restaurants; other transportation equipment; real estate; rubber and miscellaneous plastic products) have become an area of affirmation primarily for companies from developing economies. As regards the EMNCs from BRICS, as reflect the data synthesized in Figure 2, their presence is visible in traditional sectors but with lower performance in terms of concentration of their activities abroad (petroleum, metals and metal products, chemicals, etc.), their preference being somewhat more evident for the services, where they concentrate a larger part of their activities outside the economic area of origin.

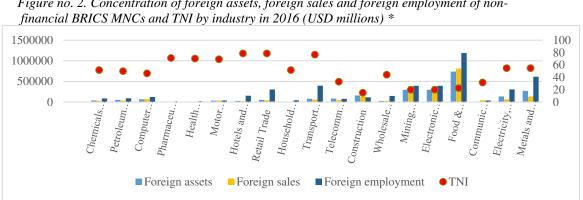


Figure no. 2. Concentration of foreign assets, foreign sales and foreign employment of non-

Source: Processed after UNCTAD (2018)

Another visible trend in the universe of multinational corporations both globally and in the BRICS economies, is the presence of multinational companies in which governments have different rates of participation; UNCTAD (2017) estimates the existence of about 1,500 such multinational companies that hold more than 86,000 affiliates abroad, accounting for about 1.5% of the total MNCs and 10% of global affiliates. A notable feature is that, although parent companies (headquarters) are globally dispersed, they are located mostly in developing economies; China is the most important parent economy of such companies. If we condense our analysis only to the top 100 companies ranked by UNCTAD (2017), we notice that in the top 100 non-financial MNCs are ranked 15 state-owned multinational corporations (noted by us SO-MNCs), of which 11 are located in developed countries, especially Europe, and 4 are located in developing economies (China, Malaysia); thev mainly in services (e.g. electricity, Brazil and operate gas and water; telecommunications), manufacturing also in (e.g. aircraft; petroleum refining and related industries; motor vehicles). In the top 100 nonfinancial MNEs from emerging and transition economies, the presence of multinational corporations with state participation (noted by us SO-EMNCs) is broader (more than 20); they have a massive presence in the extractive industry (e.g. mining, quarrying and petroleum), construction, telecommunication and others. However, the scale at which SO-EMNCs have expanded their businesses abroad is lower than that at which SO-MNCs operate. Also, in SO-EMNCs, state participation is much higher, with Chinese companies reaching up to 100% (UNCTAD, 2017), while in SO-MNCs the state's participation is limited to golden share or goes up to no more than 30%.

4. Conclusions

Based on the Top 100 non-financial MNEs from developing and transition economies ranked by foreign assets (2016) our analysis highlights a series of trends in the universe of multinational corporations from developing economies and especially from BRICS economies. Thus, although the overall ranking of TNI shows an increasing interest in expanding business outside home economies, the level of internationalization of BRICS companies reflected by TNI at the regional level remains below the average of the top 100 EMNCs and far below the average level of internationalization of the global top 100 companies. From a sectoral perspective, the trend of internationalization of companies from BRICS economies is reflected in an uneven dynamics. Their presence is quite visible in traditional sectors but with more modest performance in terms of concentration of their activities abroad (petroleum, metals and metal products, chemicals, etc.); their preferences are somewhat more evident in the services, where they concentrate a larger part of their activities outside the economic space of origin. Last but not least, we note the presence of multinational corporations with state participation; differences are evident in the scale at which the companies from emerging economies of BRICS have expanded their business abroad compared to the international operating scale of the companies from developed economies, but also in the sectors in which they operate.

The conclusions reached by our analysis may be subject to limitations, first of all, that although they include what we call *world-class multinationals*, the rankings developed by UNCTAD reflect only partially the corporate universe, and therefore any generalization requires caution. Secondly, TNI does not provide information on the geographical expansion of companies or the number of affiliates they have abroad, hence the question: *Are the multinational companies from the BRICS economies truly global players*? Although it is mainly an exploratory research, we believe that the analysis we have carried out leads to a deeper level of understanding, expanding the area of knowledge in the field and, at the same time, creates a framework for new directions of theoretical reflection and empirical research.

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The Innovative Activity of the Multinational Companies in the International Business Environment

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Abstract

The analysis of the relationship between the innovative activity within a firm/company and the specificity of the international business environment can follow different research directions, both from a historical perspective and with reference to the current realities encountered in the global economy. We believe that it is obvious the fact that we can intuitively notice a certain conditioning and/or mutual influence between the innovative capacity of a firm and its natural tendency to expand its operations in two or more countries. At the same time, we can notice enough methodological difficulties regarding the attempt to argue more precisely, analytically, including on a statistical basis (in line with those existing at international level), how exactly does the relationship between innovation and the tendency of internationalization of the firm manifest, taking into account the realities existing in the current global competition.

Key words: innovation, internationalization, multinational companies, R&D

J.E.L. classification: F23, M16, O32

1. Introduction

The issue of innovation has now become a major topic of interest not only for business organizations but also for other categories of institutions, including governments and policy makers whereas the innovative capacity of an entity (either country, firm, etc.) directly determines the economic growth, the prosperity and long-term progress of the entity. Therefore, we highlight the fact that the issue of innovation in the global economy can be analyzed both from a macroeconomic perspective (when ranking the main countries of the world is based on a number of indicators showing R & D position, ICT, education, research spending, etc.) and also from a microeconomic perspective.

From the perspective of the current research, we are going to focus our attention and study more closely how the innovation issue is reflected at the microeconomic level and to what extent can we establish a causal relationship between R&D activity and the internationalization trend of a company's operations. Among other issues related to the issue of innovation at company level, questions arise as: how do we determine the innovative capacity of a company by comparison with other firms in the sector and / or related fields? How can be determined innovation dynamics be assessed at firm level?

2. Literature review

It is difficult to establish the causal relationship between the two processes analyzed by us (the issue of innovation and the internationalization of operations) as each company has its own model of evolution, which is influenced by the applied management but also by the competitive advantages held by at a time in industry and /or on the market. Linking innovation and R&D activity to the international knowledge network becomes an essential issue for the progress of a business organization in the context of increasing global competition. From this point of view, it is essential to mention the major influence of the multinational companies on the global R&D

activity, both through the innovative operations at the level of the country of origin and those carried out on the foreign markets (UNCTAD, 2005, p.151).

The challenge that large companies need to face is to manage efficiently their global innovation networks, but above all to identify a balance between the R&D activity at the headquarters and the abroad R&D. The technological change and the innovations that result from R&D have become the foundation for growth, competitiveness and well-being. Thus, the globalization of innovations and R&D further highlights their complexity and importance in setting strategies by decision-makers (Karlsson, 2006, p.13). The innovative firms are constantly implementing and developing series of specific processes in order to create new knowledge that depends on the learning and routine process within the organization. These processes contribute to the differentiation from competitors, but in particular it gives a certain uniqueness to the firm, making it difficult to imitate and is a source of competitive advantage (Mylonpoulos, Tsoukas, 2004, p.210). The importance of these processes are increasing under the conditions of the internationalization of their activity from a double perspective: on the one hand, it increases the access to new knowledge that could improve the current learning process and, on the other hand, the international competitors have access to its specific knowledge.

The studies on innovative business activity have highlighted an increase in high-tech organizations. According to a report published by UNCTAD, depending on the intensity of research and development, the business areas of business organizations can be grouped differently. On one side, there are high technology areas where R&D investment accounts for more than 5% of the turnover (aeronautics, pharmaceuticals, ICT). On the other side, there can be found medium-high-tech areas where the budget allocated to innovative activity amounts to between 1.5-5% of the turnover (auto industry, chemical industry). There are also some industries considered medium-low technology, where research-development accumulates between 0.7-1.5% of the turnover (oil industry) and low-tech areas where spending on research accounts for less than 0.7% of revenue (food industry, textile industry) (UNCTAD, 2005, p. 140).

Taking into account the classification made by UNCTAD and the intensity of research and development specific to certain sectors of activity, we can mention:

- ➤ In the IT sector, companies such as Apple, Microsoft and Samsung have invested 5%, 14% and 7.6% of turnover in 2017;
- ➤ In the pharmaceutical industry, companies such as Roche, Sanofi and Pfizer have allocated 22% and 15% of R&D revenue in 2017;
- ➤ In the automotive industry, companies such as Toyota, Honda and Volkswagen have invested around 4%, 5% and 5.2% in R&D in 2017.

The analyzed companies have internationalized not only the production activity, but also the research and development activity, having centers in the big countries of the world. The studied automotive organizations have expanded their research activity as follows: Honda has centers in the US, Toyota has research and development activity in Belgium, Germany, France, Thailand, Australia, China, USA, and Volkswagen in the US, China and Japan. The pharmaceutical industry has more intense innovation beyond the borders of its home country, expanding as follows: Roche is present in the USA, Denmark, Shanghai and Japan; Sanofi is present with research in China, the US and Germany and Pfizer has a center only in Great Britain. Regarding the innovative activity of IT companies, we can mention that it is much more intense beyond the borders of the country of origin as follows: Apple has centers in China, Indonesia, Sweden and France. Microsoft has research laboratories in China, Australia, Spain, UK, Italy, Denmark, Ireland, and Samsung has a global research and development network in Poland, Russia, UK, China, Japan, USA, India, Indonesia, Israel, Brazil.

Concerning the impact of the innovative work on host countries, Dunning mentions that R&D investment has a positive influence on economic growth and technological progress by facilitating access to new, high performance management technologies (in most cases management positions will be held by people in the country of origin). However, there is a certain difficulty in generalizing the direct or indirect effects of multinational companies on the innovative capacity of the home and host countries (Dunning, 2004, p.86). Some opinions point out that the big companies do not just increase their innovative capacity through greenfield investments in order to create research centers but facilitate access to new technology and a global knowledge network.

Creating specific units for developing innovations contributes to the diffusion of knowledge and technology in host countries (Reddy, 1997, 1833). In the current context, there can be noticed the existence of a relationship between the internationalization of a company's activity, its level of innovation, but also its performance. Innovation is seen as the result of an increased presence in foreign markets and the performance of a firm usually improves when it increases its operations beyond the borders of the country of origin. Moreover, the internationalization contributes directly to the economic growth of a company and indirectly improves the performance through the positive impact on innovative activity (Boermas, Roelfsema, 2016, pp. 285-284).

3. Methodology

Establishing the innovative activity has raised the interest of many institutions and organizations at international level. Therefore, we can mention an internationally well-known index in this area, namely the Global Innovation Index (GII) which highlights different perspectives of the innovation at country/nation level and trying to provide information in order to set policies that promote longterm economic growth, productivity improvement and job creation. Currently, the GII is calculated on the basis of two sub-indices. Therefore, the index has an input on innovation that includes aspects related to the ability of the national economies to support innovative work (institutions, human resources and research, infrastructure, market complexity, and of the business environment) and an output index of innovation that highlights the performance of innovative activity (knowledge and technological developments and creativity). The two components of GII highlight, on the one hand, the general framework provided by states for new innovations (business environment, environmental policies, education system, research and development, information and communication technology, competition, knowledge workers etc.) and on the other hand the results of innovation (creation, impact and diffusion of knowledge, intangible assets, creative goods and services, etc.). The calculation method itself involves an average of the scores of the two subindices, and then an average of the obtained results.

The basic principles of the GII reflects actually the situation at the state level, but they could be applied, we believe, including at the company level, using the same principles (putting forward an input for the activity of R&D compared to output from that activity). Thus, on the one hand, when analyzing the innovative capacity at firm level, we include in the input component the funds allocated for research and developed during a number of n years. On the other hand, with respect to the R&D output component at company level for n years, we can include the number of patents registered by that organization. Therefore, the principles underlying the calculation of the GII for the innovation hierarchy from a macroeconomic perspective allows us, in the form of an analogy suggested by us, to propose a calculation method that may prove to be useful in the future to estimate/evaluate the innovative capacity and especially innovation dynamics over the years for a company. Under the conditions described above, we propose the following formula for determining an innovation index at company level:

$$IID = \frac{IDF + IDP}{2}, \text{ unde:}$$

IID – The index of innovation dynamics

IDF – The dynamic of R&D (research and development) funds

IDP – The dynamic of the number of patents

In this study, in essence, we will analyze more through the opportunities and conditions that can be seen between the innovative activity within a firm (innovation being considered this time as a cause or incentive) to the internationalization strategy that the organization would implement. More specifically, the basic idea of our study can be synthesized as follows: the innovative activity within a multinational company is predominantly a cause or a factor favoring the internationalization of operations, even if we cannot quantify exactly how much or what share of innovation generates or leads to internationalization operations.

Based on the technology classifications of high-tech, medium high-tech, medium low-tech and low tech sectors, we conducted an analysis of the internationalization of UNCTAD 100 companies

In the below table we have calculated for each industry (grouping the 100 multinational companies in the UNCTAD top) the following indicators: total assets and foreign assets, total sales volume and share of sales outside the country of origin, total number of employees and the share of the number of employees working abroad in the total number of employees

4. The relationships between innovation and internationalization at the companies from UNCTAD ranking

Using data from UNCTAD reports and given the mentioned methodology, we have determined an index of internationalization for each sector in order to understand how different industries have extended their activity on foreign markets. In the table below, we present the results that we have reached:

Table no. 1 The analysis of the internationalization of the top 100 non-financial companies from

UNCTAD ranking on industries given the level of technology

	Assets (mi	l. USD)	Sales (m	il. USD)	Employees (mil.)		
Category	Foreign	% foreign assets	Foreign	% foreign sales	Foreign	% foreign employees	TNI (%)
High-tech	2 665 162 60	E0 15	1 462 111 20	66.10	2 005 050 74	62.62	60.22
industries	2,665,162.69	58.15	1,462,111.30	66.18	3,085,850.74	62.63	62.32
Medium							
High-tech	2,136,488.68	57.55	1,569,761.18	75.86	2,534,633.80	60.66	64.69
industries							
Medium							
Low Tech	1,980,044.52	73.81	1,112,909.14	65.03	683,898.53	59.60	66.15
Industries							
Low tech in	889,025.32	85.21	395,186.24	84.81	1,216,720.02	83.07	84.36

Source: Author's own calculations based on WIR 2017, The top 100 non-financial MNEs from developed economies, ranked by foreign assets

The results show that the highest value of assets abroad is in the high-tech sector, the same situation being available for the number of employees abroad. Although in absolute value these indicators reach the maximum level for high-tech industries, their share in total assets and total number of employees are lower than those in low-tech and low-tech medium. This aspect entails that the TNI level is the lowest in the high-tech sector and the highest for low-tech industries. From this point of view, we can notice one of the limitations of the TNI calculation methodology because its level does not highlight in the present case the real situation of the industry (the value of the high tech assets is superior to the low-tech sector, which shows that their presence in the foreign markets is much higher).

Regarding the innovative activity of these sectors, we have analyzed the budget for research and development allocated by companies in 2017. Thus, the results obtained have highlighted \$166.33 billion in the high-tech sector, \$80.91 billion in the medium-high-tech industry, \$6.16 billion in low-tech medium and \$4.6 billion in the low-tech. In the below paragraph, we will briefly illustrate the situation regarding the innovative activity and the presence on foreign markets for some of the firms from to the sectors mentioned in the previous paragraph:

a. High-tech industries:

- Oracle had a \$ 6.82 billion budget for R&D in 2017, obtained 753 patents, and achieved an TNI of 48.8%;
- SAP AG had 89.6% of operations abroad in 2017, a budget of \$ 3.21 billion for research and registered 521 patents;
- Novartis obtained 262 patents and allocated \$ 9.6 billion to R&D and had about 68.3% of its activity on the international market;
- Nokia registered 1381 patents, had a budget of \$ 4.7 billion for research and obtained a TNI of 91.1%.

b. Medium high-tech industries:

- Ford had \$ 7.3 billion budged for research and registered 1876 patents, with 39.9% of operations going outside the country of origin;
- Volkswagen, on the other hand, allocated \$12.1 billion for innovative work and obtained 207 patents (EPO), while 60% of the activities took place worldwide;
- Medtronic obtained 1,414 patents and allocated \$ 2.2 billion for research, with 89.8% of operations on foreign markets;
- Basf SE obtained 415 patents and allocated \$ 2 billion for R&D and had 63.7% of its activities were on the global market.

c. Medium low-tech industries:

- DowDupont carried out 56% of operations on foreign markets, had a budget of \$ 1.58 billion for research and obtaining 765 patents;
- Royal Dutch Shell, on the other hand, had a budget \$1 billion, with only 74.6% of activities outside the country of origin;
- BP instead had a budget of only \$ 0.4 billion, while 68.3% of the operations took place worldwide.

d. Low tech industries:

- Nestlé carried out 91.8% of its operations worldwide and allocated \$1.7 billion for research and development;
- Unilever carried out 82.3% of its activities in other countries and spent \$ 1 billion;
- Mondelez, on the other hand had 81.8% operations on the world market and spent only 0.4 billion USD for the innovative activity.

The highlighted data emphasizes an intensive innovative activity for high-tech industries, while low-tech industries have a higher level of internationalization of operations as a share of total activity. However, Nokia and SAP AG (high-tech companies) have a high volume of R&D investment as well as a large number of patents, but also over 91% and 89% of operations abroad. Thus, we cannot determine a trend regarding the innovative activity in relation to foreign market operations for each industry, as the business model followed by each company is individualized and influenced by their management.

In order to analyze the situation of the multinational companies on innovation in the context of internationalization of their activity, we have selected some of the top companies from UNCTAD ranking that are globally recognized with important positions in the industry in which they operate.

Table no. 2 The analysis of innovation regarding the non-financial companies from the UNCTAD ranking

in the context of the internationalization of their activities

R&D (bil. USD)

	R&D (bil. USD)			Patents				TNI (%)	
Company	2016	2017	The index of evolution (%)	2016	2017	The index of evolution (%)	IDI (%)	2016	2017
Toyota Motor Corporation	9.47	9.31	-1.69	1540	2015	30.84	14.58	60.2	65.5
Chevron Corporation	0.6	0.48	-20.00	129	150	16.28	-1.86	57.9	60.3
Apple	8.07	10.05	24.54	2101	2225	5.90	15.22	47.9	47
Honda	5.89	6.2	5.26	870	854	-1.84	1.71	77.6	78.2
Siemens	5.04	5.53	9.72	1482	1538	3.78	6.75	65.9	76
NISSAN	4.77	4.4	-7.76	317	357	12.62	2.43	70.1	71
Microsoft	12.05	11.99	-0.50	2558	2601	1.68	0.59	46.7	44.7
Samsung	11.95	12.72	6.44	5504	5810	5.56	6.00	55.1	62
Novartis	9.47	9.57	1.06	247	262	6.07	3.56	67.8	68.3
Sony	4.2	4.01	-4.52	2168	2116	-2.40	-3.46	52	50.6
Sanofi	5.36	5.46	1.87	300	284	-5.33	-1.73	65.4	71.6
Amazon	12.54	16.09	28.31	1662	1960	17.93	23.12	62.7	33.1
Alphabet	12.54	16.09	28.31	3267	3065	-6.18	11.06	33.3	33.9

Source: Author's calculation based on the data from UNCTAD, USPTO, The Study PWC Global Innovation 1000

Given the results obtained, we find that the dynamics of innovation has evolved favorably in the case of companies that have allocated significant amounts for R&D activity and have registered a large number of patents. Companies like Amazon, Apple, Toyota, and Alphabet have achieved the best positions with significant growth in innovation, companies operating in different areas. From the perspective of internationalization, TNI's highest values are for companies like Nissan, Siemens, Sanofi, Honda, and Toyota. Taking into account the specific of the business activity and the technological infrastructure that firms in these sectors need to carry out their operations, we consider that the value of TNI is largely influenced by the high asset values of these companies abroad. This is because it requires extensive investment to create the necessary framework, given that all five companies have as their main activity the production of consumer goods. The intensity of innovative activity will also be influenced by the company's specific activity, which may assume that most of the times an IT company will be more innovative than a company may be in the automotive industry.

If in the case of companies from the productive industries the decision to internationalize is based mainly on the material resources they will have access to, in the case of the ICT sector companies, we mainly discuss the need to have access to highly skilled human resource. The internationalization of innovative activity can also be attributed to the registration of patents in countries other than the country of origin. Thus, Toyota, a Japanese firm, has patents registered at US level (USPTO, data used in the table above), but also at EU level (EPO registered 535 patents in 2017). A similar situation is specific for most of the companies analyzed, indicating their need to protect their innovations in the context of increased presence in foreign markets. Analyzing data on innovation dynamics and internationalization, we can see that there is a series of correlations in their evolution. Thus, on the one hand, when the evolution of the index of innovation shows an increase, the same trend is found in TNI, with few exceptions (in the case of Siemens, Honda, Alphabet) and on the other hand, when the dynamics of innovation reflects a decline, we will find the same situation for the internationalization of activities (in the case of Sony). Although the correlations are not verified for all the companies analyzed, we believe that a broad-based analysis at several companies could highlight the relationship between innovative business activity and the internationalization of their operations to a greater extent. Therefore, from the perspective of our research, it is obvious that the innovative activity within a firm has been and remains an essential factor in all situations where top management aims to maintain or strengthen the competitive position of the organization at some point in time. In the same sense, the internationalization of a company's operations is seen by top-management as a source or factor that directly improves the competitive position of the organization on a given market. As mentioned earlier, the statistical data analyzed and the study of the realities that are defining the global MNC sector lead us to the conclusion that there is a sufficiently clear relationship between the innovative capacity of a firm and its tendency to - and internationalize operations over time. According to our findings in the current literature there is no theoretical model that thoroughly analyzes the relationship between innovation and the internationalization of a firm.

5. Conclusions

A company's innovative capacity will not be entirely influenced by R&D investment, but by the extent to which the top management identifies sources of innovation in the external/internal environment and includes them in its own infrastructure. Therefore, we can state that the relationship between innovation and the internationalization of a company's operations is relatively complex and will be determined by several factors (size of the firm, nature of the field of activity, the qualification of the employees, possibilities of recourse to ICT, demographic changes, etc.).

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The Impact of Turkey's Socio-Political and Natural Context on Tourism Between 2010 and 2018

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Abstract

Tourism represents, for many states, an important part of the economy. Socio-political and economic, local or regional crises affect the upward trend of the sector through its specific nature, role and content. Turkey is a world-renowned tourist destination due to its particular natural conditions, historical and cultural monuments, and traditions combining European modernism with Oriental refinement. The moments of socio-political tension and the negative effects of natural phenomena and processes, in relation to the time and place where they occurred, led to significant fluctuations in its choice as a tourist destination over the last decade. The presentation is a study that highlights, from the perspective provided by the analysis of the flow of Romanian tourists who chose this destination during 2010-2018, the effect of the socio-political and natural context on the tourist phenomena in Turkey.

Key words: tourism, Turkey, crises, perception, Romanian tourists

J.E.L. classification: Z32, Z39

1. Introduction

Tourism, through the plurivalency of the activities that define it and the benefits it generates, is an element of special value in the local, regional and global economy. This, through its sociocultural and economic dimension, has deeper implications in the evolution of the contemporary society that it influences, but which is conditioned. The variables that can be introduced into the inter-conditioning operation are numerous - political imbalances, precarious security, economic crises, restrictive legislative framework, natural disasters - climate change, epidemics, demographics, poor international cooperation, under-dimensioning of the specialized workforce, lack of variety of services tourism, poor performance of the technical infrastructure, and generates vulnerability for the tourism industry that is primarily based on stability and balance. They are assimilated to moments of crisis. The crisis affecting tourism manifests itself as an event or set of circumstances that compromises or destroys the potential of the market and the reputation of a tourist business or of an entire region (PATA, 2011).

Turkey, the recipient of a special natural and cultural heritage with a tradition in tourism, is one of the main tourist destinations in the world (e.g. 37.6 million arrivals in 2017 - 8th place among the most visited countries in the world in 2017, UNWTO 2018). The regional political and economic context, domestic socio-political turmoil, natural events and the permanent pressure of competition in the global market affected, to a lesser or more extent, the upward trend of the Turkish tourism sector.

The purpose of the research presented in this paper was to establish the link between the main elements of disruptive character (terrorist attacks, social movements, economic events, regional and internal political instability, natural earthquakes, floods) and the dynamics of tourist flows through the perception of the tourist destination. Turkey has offered this opportunity to study on the basis of analyzing the flows of Romanian tourists who chose this destination for holiday or business in 2008-2018.

2. Theoretical background

The topic of the impact of socio-political or economic crises and natural disasters on the tourism industry can be found in many specialized papers, with the approaches being extremely different. The negative elements induced by crises, irrespective of their nature, generate effects both globally and locally, and their management can fit into a generally valid paradigm or differs from one space to another from one moment to the next. We mention some general works (Dwyer et al., 2004, Santana, 2004, Henderson, 2006, Hall, 2010, Drutu, 2011) or event-related events - financial fluctuations, exchange rate fluctuations, the fall in the stock market (Melvin&Taylor, 2009; Claveria&Poluzzi, 2016), terrorist attacks (Sönmez et al., 1998; Faulkner, 2001; Blake&Sinclair, 2003), politics (Sönmez et al.,1999, Alvarez&Campo, 2014; Neumayer, 2004), natural disasters (Huang&Min, 2002; Goodwin, 2005), or particular locations (Mikulić, 2018 - Croația; Weiss et al. 2013 - Slovak Republic, Kapiki, 2011 - Greece, Ritchie et al., 2010 - North America, Okumus&Karamustafa, 2005; Okumus et al. 2005; Alvarez&Korzay, 2008; Icoz et al., 2008; Ozcan et al., 2012; Gul et al., 2014; Elimdar&Abdullayev, 2018 -Turkey).

3. Data and methods

Turkey is the state whose territory spans two continents - Europe (3%) and Asia (97%) separated by the Bosporus Strait. Paleogeography evolution led to the completion of the present territory by the union of several continental fragments at the end of the Tertiary. Two zonings of these fragments, one with Laurasian affinities, Pontides (northern Turkey), have been separated in the alpine orogenetic phases (Variscan, Cimmerice) and another, Anatolide-Tauride (south of Pontide), that represents similar characteristics to Gondwana, strongly deformed and partly metamorphosed during the Alpine ogenesis. The dynamics of these continental blocks create tectonic instability, and structural rupture elements amplify it - the structural element with the greatest seismic potential being the North-Anatolian fault along which periodic earthquakes occur (at intervals of 3, 10 or 30 years) magnitude over 7 degrees on the Richter scale (Oaie et al., 2008, p.170). Morphologically, the mountain structures (Pontics and Koroglu in the North, Taurus in the South), the Anatolian plateau (800m altitude) and the narrow coastal plains are highlighted.

Turkey is surrounded by the Aegean Sea (West), the Black Sea (North), the Marmara Sea (Northwest) and the Mediterranean Sea (South), with a coastline of about 8300 km.

Throughout history, Greek civilization (e.g. Efes, Troy, Halicarnassus, Miletus), the Roman (the Eastern Roman Empire with the capital of Constantinople), the Byzantine Empire, the Ottoman Empire, have been present in the present territory of Turkey and left the mark of culture in today's modern Turkey, whose foundations were laid by Mustafa Kemal Ataturk in 1920. It is a democratic state that wants to harmonize Western economic and social visions with the relatively strict framework imposed by Muslim religion.

In this natural, socio-cultural and political context, Turkey offers the international tourism market more than just *sea*, *sun* and *sand* (Emekli et al., 2006). Thus, the tourism development strategies proposed by the Ministry of Culture and Tourism (2006-2023) have activated and reward the cultural valences of this space (archaeological sites, historical towns, cultural objects - museums, art galleries, historical monuments and architecture, many of them listed on UNESCO's heritage list), varied natural offerings (special geological structures, hundreds of endemic plant and animal species), favorable climate, private medical services with a high level of specialization and costs much lower than in other countries (aesthetic surgery, orthopedics, gynecology, dermatology, ophthalmology). The variety of natural and anthropic heritage can be covered by many forms of

tourism - cultural and shopping, ecotourism, wellness, business, gastronomic, adventure, spathermal, medical, but which are still a long way from intensively promoted coastal tourism.

The research methodology of the presented study was mainly based on methods of statistical, quantitative and qualitative analysis. The interpreted data was provided by the NIS (National Institute of Statistics) by querying the Tempo Online database of the TUR109C and TUR109D matrix and those of the 2018 Statistical Yearbook on Tourism. The results obtained from the interpretation of the statistical reports were necessary for the comparative approaches and establishing causal links between events with local or regional destabilization and choosing Turkey as a tourist destination. Graphical analysis was used for this purpose. Key literature and media sources have been used to identify the main crises-generating events.

A brief overview of the main crisis-generating events with an effect on the evolution of the tourist phenomenon is made in the following table:

Type	Illustrations						
Terrorist	2008 - Bomber attack Turkey Diyanbakir (03.01); Murder-Tomb Assault Turkey Erzican (11.08);						
attacks	Mine explosion (18.08); Armed attack Turkey Sîrnak (02.09.);						
	- 2013 - Civelgozu Terrorist Assault (South East) (11.02); Double Reyhanli Assault (South) (11.05);						
	- 2015 - Double suicide bomber, Ankara Central Station (10.10); Attack Suruc-Sanliurfa (South East)						
	(22.07);						
	- 2016 - Vezneciler bombing - Istanbul (7.06.); Suicide attack Istiklal-Istanbul (19.03); Attack with a						
	Kizilay-Ankara Trap Machine (13.03); Assassination-Bayrampassa-Istanbul (3.03); Terrorist machine-						
	trap attack, Kizilay-Ankara (17.02); Armed attack Sultanahmet-Istanbul (12.01);						
Political and	- Permanent threats from PKK militants (the issue of recognizing ethno-linguistic minorities - the						
societal	Kurds);						
instability	- Turkey's involvement in the Syrian issue; Diplomatic issues with Egypt (2013);						
	- Internal protests and tensions (ample and violent street demonstrations-2013, 2016, corruption						
	scandals - 2013-2014)						
	- Immigrant Issues (2015)						
	- Military State Trial (2016);						
	- Tensions with Russia due to the collapse of a Russian plane (2015);						
	- Stereotypes about women.						
Economic	- The global economic crisis and its effects (2008-2009);						
	- The crisis from Turkish Airlines and Pegasus, the TAV airport operator and the Celebi airport service						
	company (2016);						
	- Increase of US customs duties on imports of steel and aluminum (2018);						
	- The collapse of the Turkish lira (2018)						
Natural	- Earthquakes (1999 – Izmir 7.6 Richter; 2011 - Van 7.2 degree Richter, 2018-Antalya) due to active						
	extension tectonics in the West Pontes and the Aegean Sea.						
	- Tectonic subsidence phenomena, liquefaction and sliding of the banks;						
	- Floods (2009-Saray, in Tekirdag Province, Istanbul, 2017-Western Turkey, Istanbul, 2018-Ankara).						

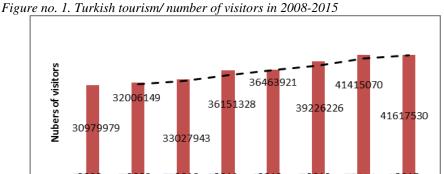
Source: Authors' contribution

4. Results and discussions

Worldwide, tourism represents a significant revenue-generating industry – 1,186 million dollars in 2017 (UNWTO 2018). It is, however, extremely sensitive to any dysfunction affecting one of the components on which it is built (attractiveness, safety, flexibility). As the system in which it operates is multi-layered, and its elements are inter-conditioned, any impulse can be at a time of crisis. The tourism crisis is anything that threatens the normal operation and management of tourism-related businesses; destroys the overall reputation of the tourist destination in terms of safety, attractiveness and comfort by adversely affecting the visitor's perception of that destination; and, in turn, causes a slowdown in the local economy of travel and tourism and interrupts the continuity of business operations for the local tourism industry by reducing travel arrivals and spending (Sonmez et al., 1999). For Turkey, four major categories of elements - natural, economic, political and terrorist attacks - have been identified, to which a set of actions having a negative effect on this segment of the economy are associated (Table 1). They are manifested both directly, creating uncertainty about the destination - terrorist attacks, natural disasters, or indirectly by

affecting structures of tourism infrastructure such as travel agencies, hotels, transport means - economic, financial, political, legislative.

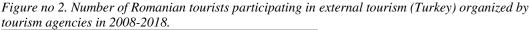
Tourism accounts for 5% of Turkey's economy, with nearly two million jobs, meaning 8% of the world's total (World Travel & Tourism Council, 2017). Even if its natural and cultural potential is not fully exploited and the image of the country as a tourist destination has been affected by various moments of crisis, Turkey receives an increasing number of tourists every year (Figure 1), which is not reflected on the revenue they generate (insignificant fluctuations around \$ 30 billion in 2008-2015, with a maximum of US \$ 34 billion in 2014 - Bayramov & Abdullayev, 2018, p.167). Maintaining a relative income balance can be attributed to the influx of tourists from the Middle East (United Arab Emirates, Qatar, Kuwait and Bahrain) who spend 6 times more than the other (Ozcan 2012, p. 988).

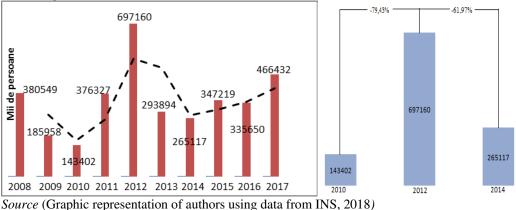


2008 2009 2010 2011 2012 2013 2014 2015

Source (Graphic representation of authors using data from Cetin et al, 2016, p.2564)

Analyzing from the perspective of the flow of Romanian tourists who chose Turkey as a destination during the period 2008-2018 it is noticed that the maximum was in 2012 with 697160 thousand persons. Between the limits (meaning 2008 and 2018) and this maximum there are two levels with a low number of tourists. Their minimums, 2010 and 2012, are by 79.43 and 61.97 lower than the maximum pick.





The interpretation of these trends in terms of the moments of crisis affecting Turkey can be differentiated on the two segments 2008-2012 and 2012-2018. In the first instance, the minimum is due to the effects of the global economic crisis and the numerous terrorist attacks that took place in 2008, doubled by natural events (Table 1), and in the second domestic political tensions and foreign relations that Turkey has, had with the states in the region and the USA.

The effects of the global economic crisis have been strongly felt in both states, with implications for tourism companies, transport, tourism infrastructure, services by lowering the purchasing power of their citizens. Turkish tourism companies have not been affected by the global

economic crisis (Ozcan et al., 2012), the decrease in the number of Romanian tourists to Turkey being a clear reflection of the austerity measures imposed by the Romanian Government in that period (e.g. wage cuts by 25%). This interpretation is supported by the similar trend of the Romanian tourists to Europe.

The satisfaction of the tourist is supported by the balance between physical, social and psychological needs (Kay, 2003, p.604), and safety is the control element of all of them. The Institute for Economics and Peace considers it a real threat to the tourism industry. The value of GTI calculated for Turkey is increasing, but for the analyzed range (2008-5.5, 2009-5.23; 2012-6.05; 2014-5.74 - IEP 2016) it has an average of 5.

Figure no 3. Number of Romanian tourists participating in external tourism (Europe) organized by tourism agencies in 2008-2018.

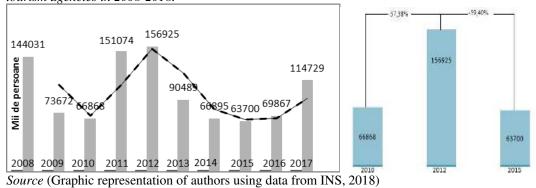
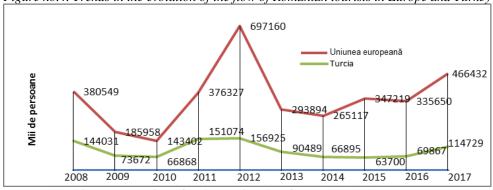


Figure no.4. Trends in the evolution of the flow of Romanian tourists in Europe and Turkey



Source (Graphic representation of authors using data from INS, 2018)

The upward trend of the global index of terrorism negatively affects the main tourism indicators - tourism flows, tourism revenues (Bayramov & Abdullayev, 2018, p.173), but not the Romanian tourists who in 2012 (GTI-6.05) arrived in high number in Turkey. Political and social instability, change of power regimes, street movements, international relations) generate vulnerability and affect the tourism industry consistently. The coup d'état of 2015, preceded by tensions and followed by social and economic repercussions, tensions with other states represent for Romanian tourists a moment of insecurity and generate a decrease and capping of the number of Romanian tourists who choose as destination Turkey.

5. Conclusions

Crisis situations that can affect the tourism industry are numerous. Each crisis is unique and thus perceived by the actors involved in the tourism phenomenon. The analysis of reality shows that Turkey is affected both by crises specific to the natural, socio-political and economic environment, some of which tend to become permanent (Kurdish conflict) as well as regional or global situations. Their connections and implications in the tourism industry are multiple and difficult to fully assess. The negative influence it generates is certain, and the fight against it is

related to the implementation of governmental economic and political strategies that create sustainable effects on the tourism phenomenon. The perception of the Romanian tourists about the reality of tourism in Turkey is filtered through personal realities and does not coincide to a small extent with the general trend imposed by the parameters in which this phenomenon falls and its consumers of tradition.

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The Evolution of International Electronic Business

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Abstract

The pace of development of e-commerce is now more significant than that of world trade as a whole, reflected in the work of the World Trade Organization. Reduced costs compared to traditional stores contribute to the opening of new companies. One of the main trends of this year were the changes that have occurred in the work of the great giants of the Internet. For the sake of possible growth, the largest companies are expanding towards 'real markets', for example, Amazon in the US and Singapore, Zalora. At the same time, a number of providers are expanding their online offers, such as Walmart, Nordstorm. The aim of this study is to present an overall analysis of the evolution of international e-business, to identify the problems that hinder their development and to present smart solutions that could be successfully applied by real-life entrepreneurs.

Key words: e-commerce market, international electronic business, internet

J.E.L. classification: M30, M31

1. Introduction

The business field in particular, for which "Time is money", could not be left behind by the other fields that have come to a great extent in this informational universe (Eugenia Iancu, (2016)). Of course, online transactions have advantages and disadvantages, the Internet market is growing steadily from one year to the next, with the number of beneficiaries being per year increasing (Wright RW, Tiessen J., Turner I. (2001), Gillies LE (2008).

Also, an important trend is manifested by the growing use of the variety of mobile devices. The number of smartphone owners in developing countries is higher than in developed ones. The price for smart telephony is steadily decreasing. According to the World Bank forecasts, by 2020, an additional one billion people will have access to the Internet, that is, the increase in the use of mobile devices (Buraga S, 2005).

2. Theoretical background

What are the causes of inexhaustible interest in e-commerce? According to estimates by the Internet Society (ISOC), the number of registered Internet users in the world has exceeded 3 billion people and this year is on average up 12%. It is worth mentioning that most of the growth takes place not in developed countries but in developing countries, including the developed ones such as South Africa, Central Africa and the Pacific (Paşcu, Iancu, Socaciu, 2016).

Year 2017 has brought significant changes in the e-commerce market by country group.

1200 1052.9 Asia Pacific Region 1000 800 660.4 Western Europe 600 445 North America 400 76.4 Latin America 200 Central and Western 0 51.4 Europe 2012 2014 2015 2016 2017 2013

Figure no. 1 E-Commerce in World Regions (Billion USD)

Source: elaborated by author after http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx.

In the vast majority of countries, the volume of electronic transactions is steadily increasing. A.T.Kearney's international consulting firm, which calculates the world's e-commerce network worldwide, highlights leading countries, ie, the world's largest markets for e-commerce (https://www.atkearney.com/).

Table no. 1 World wide e-	-Commerce	Ranking
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Ranking position	Dynamics	Name of the state
1	+2	US
2	-1	China
3	+1	UK
4	-2	Japan
5	+1	Germany
6	+1	France
7	-2	South Koreea
8	+5	Russia
9	+15	Belgium
10	-1	Australia

Source: elaborated by author after http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx.

Table 1 shows that ranking leaders ranked the US, China, UK. In the top 30 countries, the developed and developing countries were generally included. At the same time, the US, with a market volume of 238 billion dollars, ranked first, although in 2014 it ranks third. The authors of the study note that this leap was made possible by improving the US economy and increasing consumer confidence. However, Internet sales rates grew less significantly, compared to other countries, namely 15% in 2015. US high rating reflects the fact that the largest American Internet stores - Amazon, Ebay, Itunes and the world's top markets in terms of profits and sales, significantly outstriking Asian trade space. Internet shops in the countries of Europe were placed in a surplus position, with the United Kingdom reaching the 3rd position in the ranking, Germany-5, France-6, and Belgium showed an increase of 15 points and reached the 9th position.

3. The e-commerce market

Another trend of the current e-commerce market has been the increase in the use of smartphones and PC tablets over the previous year. Many applications, which allow you to choose and pay for online shopping, expand the opportunities of buyers.

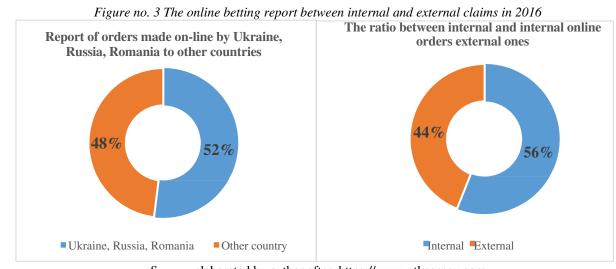
84% 90% 81% 80% 78% 80% 60% 55% 70% 60% 60% 44% 50% 33% 40% **~ 26%** 30% 20% 10% 0% Africa and Midle Global Media APEC Europe South America North America East Computer 81% 78% 60% 60% Smartphon 44% 52% 33% 55% 48% 27% = Tablet PC 24% 38% 29% 31% 35% 26%

Figure no. 2 The share of device use when purchasing Internet purchases in regions of the world

Source: elaborated by author after

https://www.wto.org/french/res_f/booksp_f/world_trade_report15_f.pdf

Figure 2 shows the analysis of sociological research data by The Nielsen Company, the personal computer (PC), remains a convenient way for online browsing and the purchase of goods. The second place in all regions is the mobile phone. The share of its use in Africa and the Middle East (55%) is higher, and in the Asia-Pacific region (52%). The use of PC tablets when making orders only uses one third of the population, due to difficulties in connecting to the Internet. But there are countries where the share of PC tablet use is higher than the average - Egypt (46%), Saudi Arabia and Finland (44%), India (41%).



Source: elaborated by author after https://www.atkearney.com

Products purchased on the Internet can be paid online or offline. Credit cards are the most prevalent payment method worldwide for the value of the online transaction and are expected to remain constant until 2019. Although other payment options are being used more and more frequently, credit cards are the most widespread option on the B2C site. Thus, lack of a credit card would impose a consumer's ability to shop at any online store. Therefore, an important indicator is the spread of the credit card among the population aged 15 years. The credit card option includes all card payment solutions (credit card, debit card, charge card and prepaid card). Figure 4 presents data collected in a Worldwide Worldwide Findex Survey on Online Payment Options.

Transfer Transfer 2014 2019 Cash on Cash on Bank Bank delivery delivery 11% 12%. 7% 7% More Electronic More 5% Walet Electronic 7% 22% Walet 28% Credit Credit cards Credit debit 55% cards 0% Credit 46% debit 0%

Figure no. 4 Online payment methods

Source: elaborated by author after https://www.kaspersky.com/about

As experts say (De Pelsmacker, P. Driesen, L. and Rayp, G., 2005) "as in any other field, Internet technology has created new possibilities for fraud. In the absence of direct contact, a customer may deceive the trader as to his identity or his actual payment possibilities. Most Western virtual mobsters have been detained to send commodities to Eastern Europe, precisely because of the many successful fraud attempts with false Eastern European credit cards. " Another very important issue is data security. A company without Internet access has little reason to worry about the integrity of its IT management systems. Connecting to a public network where anyone can have more or less authorized access to confidential data in the local area raises serious issues (Smith, S., and Barrientos, S. (2005)). Risks that did not exist before this type of trade emerged.

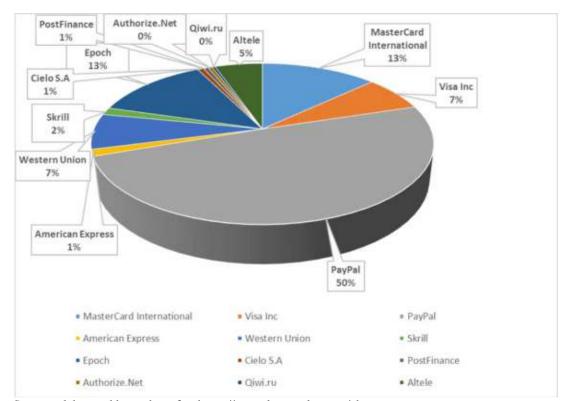


Figure no. 5 Attacks on payment systems used

Source: elaborated by author after https://www.kaspersky.com/about

As in the case of attacks on banks, the recognition of the brand is a significant part of the distribution of attacks on payment systems - about 90% of phishing attacks against payment systems accounted for one of five international brands: PayPal, American Express, MasterCard International, Visa or Western Union (Figure 5). PayPal, being exceptionally popular among the payment systems on the Internet, is very popular among the villains - this system has been damaged by about 44.12% of the total attacks. Significant weight was recorded for American Express - 26.26%. MasterCard International and Visa Inc. Payment Systems pages are falsified by attackers much less, being attacked by only 11.63% and 6.36% respectively.

4. Conclusion

One of the conclusions we can draw from these analyzes is that, unlike many other types of attacks, virulent financial attacks usually include a set of different means: from phishing pages, simulating pages sites of legal financial institutions, until vulnerable software use of custom-made virus scams. Because financial cyber attacks are complex, their analysis of the site's security level requires a complex approach.

Another conclusion is that the most representative method of paying worldwide for the value of the online transaction and which is expected to remain constant until 2019 is given by Credit Cards. Although other payment options are used, credit cards are the most widespread option on the B2C site. Thus, lack of a credit card would impose a consumer's ability to shop at any online store. That's why the spread of the credit card among the 15-year-old population is an important indicator since the credit card option includes all card payment solutions (credit card, debit card, charge card and prepaid card).

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Financial Inclusion and Investment in Nigeria

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Abstract

This study examines the relationship between financial inclusion and investment in Nigeria. Many studies have focused on examining the relationship between financial inclusion and economic growth, however, economic growth cannot be achieved without sustainable investment guaranteed by financial inclusion. This study thus seeks to bridge this gap and fill the lacuna. Annual time series data was obtained from the CBN statistical bulletin and for the period 1981-2015. The study makes use of the autoregressive distributed lag (ARDL) bound co-integration test and error correction model. The outcomes of the study show that not all the three criteria for financial inclusion (availability, accessibility and affordability) guarantee investment in the Nigerian economy. This study recommends that private individuals should have uncomplicated access to credit and fair distribution of commercial banks in the rural setting of the state.

Key words: financial inclusion, investment, gross capital formation, autoregressive distributed lag

J.E.L. classification: G20, G21, J016

1. Introduction

Prior to financial inclusion was financial exclusion which according to Kodan and Chhikara (2013) is not only a physical access caused by the changing topography of financial services but also includes all types of people who make little or no use of financial services. Financial exclusion refers to the inability of individuals to access, and or effectively use, financial products which can help them to participate in the range of activities that constitute social life. Before the recent efforts made at promoting financial inclusion, the Nigerian economy was largely a cash-based economy with significant proportion of the narrow money stock in the form of currency outside the banking system (Omojolaibi, 2017). However, awareness is now being created by the government and financial institutions on the advantages of financial inclusion. Financial inclusion in today's economy is gaining attention more than ever before and Cull et al (2014) affirmed that global and national-level policy makers have been embracing financial inclusion as an important development priority.

Financial inclusion is a term commonly used to represent the deliberate attempt which makes the poor, marginalised people and those vulnerable to low economic power to engage in formal economic process through ownership and usage of formal financial service at regular interval (Aina and Oluyombo, 2014). Also, World Bank (2012) defines financial inclusion as the range, quality and availability of financial services to the underserved and financially excluded.

According to Kama and Adigun (2013), giving access to the hundreds of millions of men and women (all over the world) who are presently excluded from financial services would provide the possibilities for the creation of a large depository of savings, investable funds, investment and therefore global wealth generation. When low-income earners are given access to financial services, accumulation of capital will occur and ultimately lead to rise in investment because low income earners contribute a larger share of the population in developing countries. Access to

financial services should be with little or no cost, this is very pertinent if the less privileged in the society will benefit.

Inclusive growth is the desire of any government and a major way to achieve this is to ensure that financial services are made available to the masses. However, achieving financial inclusion is still a global challenge as 54.0 per cent of adults worldwide are being financially excluded (without access to financial services); in developing countries, worse situation prevails where as much as 70.0 per cent financial exclusion levels exist. Also, Chauvet and Jacolin (2017) noted that access to credit has been identified as one of the main obstacles to the development of private sector in developing countries. Despite the growth of commercial banks over the years, Dashi et al (2013) noted that about 2.5 billion adults in the world still lack access to formal financial service. This might be due to poor concentration of banks in rural areas and a greater concentration in urban areas. Chauvet and Jacolin (2017) rightly asserted that banks tend to concentrate where there are lower-risk public and foreign firms.

Financial inclusion is critical to the attainment of poverty reduction, removal of barriers to economic participation of rural dwellers, women, youths and those at the bottom of poverty (Nwankwo and Nwankwo, 2014). When rural dwellers are have stress-free access to financial services, sustainable economic growth and development will be ensured. Fadun (2014) asserted that financial inclusion can be used as a tool to alleviating poverty and also enhancing income redistribution in the country. Nwankwo and Nwankwo (2014) also noted that financial inclusion is critical to the attainment of poverty reduction, removal of barriers to economic participation of rural dwellers, women, youths and those at the bottom of poverty; it will also help pave way for sustainable economic growth by providing financial services to individuals and communities that traditionally have limited or no access to the formal financial sector as evidenced in Nigerian rural dwellers.

However, more than reducing poverty, financial inclusion is key in ensuring financial stability and growth in the economy. It is an integral part of financial development. Financial development has been shown to improve the proportion of innovative and productivity-enhancing investment projects, to reduce transaction costs, and more generally to improve the allocation of capital and risk management (Chauvet and Jacolin, 2015). In developing countries and Nigeria in particular, private savings constitutes the main source of capital accumulation for investment purposes and when investment expenditure exceeds the level of savings, the private and the public sectors borrow from financial institutions (Egoro and Obah, 2017).

Financial inclusion in the economy has many potential benefits. Financial inclusion reduces liquidity constraints and encourages investment (Chavet and Javolin, 2015). Banco Central do Brazil (2010) noted that financial inclusion is today widely considered as a right of all citizens to social inclusion, better quality of life and a tool for strengthening the economic capacity and capabilities of the poor in a nation. As a result of these advantages, policy makers have recognized financial inclusion as a basic necessity for the citizenry. It is also hoped that widening financial inclusion will reduce the cost of cash management, and defend the strength of the local currency, while promoting a sound financial system in the economy (Mbutor and Uba, 2013).

Many studies have examined the relationship between financial inclusion and economic growth (Kama and Adigun, 2013; Chauvet and Jacolin, 2017; Alliance for Financial Inclusion, 2013), however, few have been able to establish the relationship between financial inclusion and investment. Investment is an integral part of economic growth and only when individuals have access to credits in the economy can they make short and long-term investments that can contribute to economic growth. Also, Adigwe et al (2015) mentioned that governments have been trying to lift the country out of the economic crisis without achieving success as desired because each of these governments have not focused much attention on investment especially foreign direct investment which will not only guarantee employment but will also impact positively on economic growth and development. For financial inclusion to impact on economic growth, it must pass through some channels; however, most studies undermine these channels and focus on the impact of the former on the latter. Investment is one of the channels through which financial inclusion pass through to impact economic growth; thus, this study seeks to examine the relationship between financial inclusion and investment in Nigeria. Moreover, Sarma (2008) noted that financial inclusion should be available, accessible and affordable to all people in the economy. Scholars have mostly

researched on one of the three of these characteristics or at most two without carrying out research to capture these three characteristics (Omojolaibi, 2017; Chauvet and Jacolin, 2017; Fadun, 2014). This study, however, examines if availability of commercial banks, access to financial services (measured by deposits with commercial banks) and credit to private sector (which measures financial services' affordability) influence investment in the economy.

The remaining part of the paper is structured as follows: section 2 presents the review of relevant literature. Section 3 describes the theoretical framework and methodology used in the study, Section 4 reports the empirical findings while section 5 concludes with policy implications.

2. Review of relevant literature

2.1 Review of theoretical literature

Early economic development theories believe that there is a need to have a developed and effective financial system that can tap into savings and channel funds into a wide variety of business activities. Modern development theories however advocate that financial development is a must for economic growth to occur. Also, modern development theories have shown that not having access to finance is very much responsible for persistent income inequality and slower economic growth rate. When the economy has a developed financial system, creation of access to funds will be enhanced and where there is an underdeveloped financial system, there will also be a restriction to access to funds with people constrained by the availability of their own funds (Kodan and Chhikara, 2013).

Although financial liberalization coupled with financial inclusion can enhance the efficiency with which saved resources are channeled into productive use, the effect on the quantity of savings is theoretically ambiguous (Bandiera et al, 2000). A liberalized financial system that is competitive will naturally be characterized by improved savings opportunities, and this includes higher deposit interest rates, savings with a wider range and in many cases more banks and bank branches, as well as other financial intermediaries.

Campbell and Mankiw (1990) remarked that it is rationale to say all households don't have access to the credit markets, thus, consumption smoothing over a period of time may not come easily to households. Consequently, current income determines consumption decisions for such liquidity-constrained households. On theoretical grounds, it has been shown that relaxing of liquidity constraints will be connected with a consumption boom and reduction in aggregate saving. To be more specific, Campbell and Mankiw hypothesized that there are two types of households in the economy: One type of household, λ , is liquidity constrained and their consumption is entirely determined by the evolution of current income and the remaining type $(1 - \lambda)$, has free access to capital markets and thus can smooth their consumption intertemporarily. This type of theoretical development led these authors to challenge the implicit Mckinnon-Shaw assumptions that were based on a homogenous household set in which it was assumed that all relevant households had free access to capital markets within the domestic economy (Gemech and Struthers, 2003).

The McKkinnon-Shaw hypothesis propounded that in a situation where financial intermediaries fail to function at their full capacity and savings are not channeled to investment efficiently (mainly as a result of government regulations and restrictions), the development of the economy as a whole will be threatened. Savings is responsive to interest rates; if high interest rates are removed, savings will increase which will thus stimulate investment and in the long run, encourage economic growth. Also, financial liberalization policies will lead to reduction in credit controls and enhance competition and efficiency of commercial banks.

McKinnon (1973) and Shaw (1973), analysed the benefits of reducing the impact of financial repression on domestic financial system especially in developing countries. When financial restrictions are removed in such countries, interest rates will grow toward their competitive market equilibrium. When artificial ceilings are placed on interest rates, savings will be reduced, capital accumulation will drop and allocation of resources will not be efficiently carried out. When interest rates are not allowed to adjust automatically so that the market can be cleared, other forms of clearing will take place which are not "non-market". Some of these "non-market" forms are rationing of credits through auctions, quantitative restrictions and even through different bidding

systems which are often times open to corrupt practices and partiality. Therefore, not only will the quantity of savings and investments be low or irregular but also the level of activity which occurs will be of low quality. It is thus obvious that if interest rates are not allowed to clear the market, overall level of savings and investments will be repressed. Liberalization is assumed by the early hypotheses of McKinnon and Shaw will be associated with higher real interest rates and this will stimulate saving. Savings' response to interest rate is the underlying assumption; higher saving rates will finance a higher level of investment, thus leading to higher growth. Therefore, in line with this view, one should expect to see higher saving rates accompanied with higher levels of investment and growth when financial liberalization takes place.

As cited by Kodan and Chhikara, Schumpeter (1912) challenged the fact that well-functioning banks stimulate technological innovation by identifying and funding potential entrepreneurs. Thus, the financial sector if developed does not only lead to promotion of aggregate investment and output but also in the attainment of finance-led industrialization. Therefore, in theories where entrepreneurship is being stressed, the extent to which talented poor individuals have access to external funds is determined by the financial market.

Banerjee and Newman's model (1993) also states that occupational choices of individuals are limited by the endowments they have initially. The occupational choices' structure in turn decides the amount they can save and the risks they can bear, having long-run implications for growth and income distribution. As a result, these models show that not having access to finance may be the critical mechanism whereby persistent income inequality or poverty traps are generated coupled with low growth rates.

Rashid and Intartaglia (2017) stated that provided perfect conditions exist in the market, households that are endowed will be able to borrow from the credit market when they want to implement investment projects. However, since this is not always the case, financial services should be made available to the poor so that they will be able to borrow funds which they could not previously borrow. Unfortunately, due to the risk involved, banks prefer to lend out to corporate firms so as to reduce the risks that come along with investment projects.

2.2 Review of empirical literature

According to Beck and Torre (2006), access to financial services all over the world based on modern economic and social agenda hinges on two major reasons: many theoretical and empirical literature that explains the significance of a financial system that is well-developed to guarantee economic growth and development; and having access to financial services which is seen as a public good will foster participation by citizenry. However, in a situation where the economy lacks a developed financial system, availability of funds will be low and even when available, it will be at a ridiculously high costs. Economic activities to be financed under this type of system will be few and in the long run, low economic growth will result (Kodan and Chhikara, 2013). Thus, an economy with a well-established financial system and institutions will introduce appraisal techniques and effective methods of gathering information which will enable them to finance the minor activities of the private sector, thus, promoting investment in the economy. When external funds are made available to prospective entrepreneurs, new competitors will be encouraged to enter into the market and increased competition will lead to better service delivery.

Levine and Zervos (1998); Beck and Levine (2004); and Levine (2005) have shown that financial development impacts economic growth positively. When the financial system is developed, economic agents will find it impossible to exploit investments that are profitable which will then lead to effective allocation of resources. A well developed financial system will also encourage income share of labour if labour is the main source of income for the poor. Since financial development stimulates economic growth, the demand for labour might as well be raised (Rrashid and Intartaglia, 2017).

Adigwe et al (2015) carried out a study to examine the effect of foreign direct investment on economic growth in Nigeria. Using time series data, data for the study was collected from CBN Statistical Bulletin from 2008 to 2013. Pearson Correlation was used to test the hypothesis and the findings revealed that there is a significant relationship between foreign direct investment, exchange rate and economic growth. This indicated that economic growth in Nigeria is directly

related to foreign direct investment and exchange rate. The paper recommended that there is need for government to be formulating investment policies that will be favorable to local investors in order to compete with the inflow of investment from foreign countries.

Kama and Adigun (2013) also researched on the issues and challenges with financial inclusion in Nigeria. Using descriptive statistics, the paper reviewed experiences of other jurisdictions in the achievement of financial inclusion. More importantly, the various country experiences showed that, though financial inclusion may have become a general phenomenon, its nature, form and challenges differ among jurisdictions and as such cannot be addressed by a single product or "one size fit all" approach. Nations should therefore implement initiatives that take into consideration the peculiarities of their environments and most critically its local people. The study recommended a systematic approach that aligns responsibility and institutions among all stakeholders in the financial inclusion process to guarantee sustainability.

Chauvet and Jacolin (2017) examined the relationship between financial inclusion, bank concentration, and firm performance in 79 developing and emerging countries. With the use of firm-level data, they found that financial inclusion, i.e., the distribution of financial services across firms, has a positive impact on firm growth. This positive impact was magnified when bank markets were less concentrated, a proxy for more competition among banks. They also found that more competitive banks favour firm growth only at high levels of financial inclusion, while bank concentration is particularly favorable to foreign and state-owned firms and increases firm growth at low levels of financial inclusion. In countries with limited financial deepening, the quality of the banking system (financial inclusion and bank competition) may be as important in promoting firm performance as its overall size.

Focusing on the advantage of savings on growth in an economy, Egoro and Obah (2017) researched on the effect of national savings on economic growth in Nigeria from 1990 to 2015. Secondary data was adopted and sourced from CBN statistical bulletin. Ordinary Least Square with the aid of E-view version 9 was used to determine the effects of National Savings on Gross Domestic Product. The result showed that there is a positive and significant relationship between National Savings and Gross Domestic Product in Nigeria. The study recommended amongst others that export commodities could be manufactured for established international market so as to strengthen Nigeria's term of trade and induce savings; and proper financial market development that would be able to meet the saving needs of the surging business world.

Looking at the role of governance in financial inclusion, Omojolaibi (2017) carried out a study on the impact of financial inclusion and governance on economic growth via three channels: investment in infrastructure, per capita GDP and income inequality. Using Generalised Method of Moment (GMM) estimation technique for the analysis, three major findings were made, viz: financial inclusion and governance indices have statistical relevance in determining infrastructural investment in Nigeria; governance indices and commercial bank deposit significantly increase per capita GDP; and financial inclusion has the tendency to bridge the gap between the rich and the poor and reduce the prevalence of poverty in the economy. The study recommended that more measures should be taken to address financial exclusion of low-income groups from financial services if income inequality will be reduced and per capita GDP increased.

Investigating the sustainability of financial inclusion to rural dwellers in Nigeria, Nwankwo and Nwankwo (2014) used descriptive study and content analysis. The study observed that the sustainability of financial inclusion to rural dwellers in Nigeria remains the mainstream for economic growth in any country. The study recommended that collaboration between Deposit Money Banks (DMBs), Microfinance Banks (MFBs) and Communication services providers should be promoted for enhanced intermediation of financial service; also, rural dwellers should be educated on the importance of banking as it would facilitate the success of CBN financial inclusion policy.

Kodan and Chhikara (2013) carried out a theoretical and quantitative study on financial inclusion and economic growth. The log linear regression model was used to evaluate the leading contributor in the value of financial inclusion index among all the three variables used: depth or penetration, availability and usage; the depth ratio emerged as leading contributor. The study recommended that policy makers around the world should strive to surge the level of financial

inclusion for an optimal, sustainable, inclusive economic growth and development of the economies by focusing on removing the regional imbalances.

In summary, most of these studies examine the relationship between financial inclusion, economic growth and poverty reduction. This study builds on existing literatures to examine if financial inclusion in Nigeria affects gross capital formation or not.

3. Theoretical framework and methodology

This study builds on McKinnon-Shaw's Liberalization hypothesis as a catalyst for higher saving because the theory that financial inclusion ensured as a result of financial liberalization will lead to higher levels of investment and growth. The hypothesis indicate that banks issue credit to individuals not as a result of expected investment returns but transaction costs and risk of default perceived.

Moreover, the McKinnon-Shaw model noted that Investment (I) has a negative relationship with real interest rate (r) while savings (S) are a positive function of the real interest. If real return on bank deposits increases demand for money, investment ratio will also increase. In sum, when financial liberalization operates, savings (S) equal investment (I).

Autoregressive Distributed Lag Models (ARDL) will be used to estimate the long run relationship amongst the variables. This technique has the ability to make use of variables stationary at level and first difference but not second difference. Although ARDL models have been made use of in econometrics for many years now, recently, they have gained popularity as a method of examining cointegrating relationships between variables from the work of Pesaran and Shin (1998) and Pesaran et al (2001).

From the literature, financial inclusion is often proxied by credit made available to the private sector, deposits with commercial banks and concentration of commercial banks in the country; and Gross capital formation used as proxy for investment. Thus, a functional model which expresses gross capital formation (GCF) as a function of the credit to private sector (CPS); private deposits with commercial banks (DEP); and number of commercial banks' branches in rural and urban areas in Nigeria (COM) is presented below:

```
GCF = f(CPS, DEP, COM) ------(1) \\ LogGCF = \beta_o + \beta_1 logCPS_{t-1} + \beta_2 DEP_{t-1} + \beta_3 COM_{t-1} + \Sigma ai\Delta logGCF_{t-i} + \Sigma bi\Delta DEP_{t-j} + \Sigma ck\Delta COM_{t-k} + U_t -----(2) \\ Where
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GCF= Gross Capital Formation

CPS= Credit to Private Sector (affordability measure)

DEP= Private Deposits with Commercial Banks (Availability measure)

COM= Number of Commercial Banks' Branches (Accessibility measure)

 β_o is the constant, β_1 , β_2 and β_3 are coefficients of elasticities, log represents the logarithm of variables, and U the disturbance term in time t.

The establishment of cointegrating relationship amongst the variables is done following the Bound Test Approach. The error correction model associated with long run estimates is analysed to obtain short run dynamic parameters

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Log GCFt= \beta_0 + \beta_1 \log CPS_{t-1} + \beta_2 DEP_{t-1} + \beta_3 COM_{t-1} + \psi ecm_{t-1} (3)
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Where β_0 is the constant, β_1 , β_2 and β_3 are coefficients of elasticities and ψecm_{t-1} is the speed of adjustment to equilibrium. It is expected that all the independent variables will have a positive relationship with the dependent variable.

This study uses secondary time series data from the CBN Statistical Bulletin (2016) for the period 1980-2015.

4. Empirical findings

4.1 Unit root test

Being a time series study, the Augmented Dickey Fuller (ADF) test was conducted to determine the stationarity of the variables used. The findings of this study can be used both in the short run and in the long run if the data are stationary.

Table no. 1: ADF Unit Root Test

Variables	ADF TEST	MACKINNON CRITICAL VALUE			ORDER	OF
	AT FIRST DIFF	1%	5%	10%	INTEGRATION	
LOGGCF	-3.7011	-4.2529	-3.5485	-3.2071	I(0)	
LOGCPS	-4.1713	-3.6463	-2.9540	-2.6158	I(1)	
DEP	-5.3263	-3.6999	-2.9763	-2.6274	I(0)	
COM	-4.1352	-3.6463	-2.9540	-2.6158	I(1)	

Source: Computed by the Authors

The ADF Unit root test shows that the gross fixed capital formation and deposits with commercial banks are stationary at level at 95% level of confidence while the credit to private sectors and concentration of commercial banks are stationary at first level. For the maximum lag selection, we selected the maximum dependent and dynamic regressors lags using Akaike Information Criterion (AIC).

Following this test is the Co-integration test which measures the existence of a long term relationship among the variables in the model.

4.2 Johansen co-Integration test

Johansen and Juselius (1992) established a procedure in estimating a co-integrated system which involves two or more variables. This will aid researchers to test if more than one cointegrating vectors exist in the multivariate system.

Table no. 2: Summary of the estimated result

Unrestricted Cointegration Rank Test (Trace)				
Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.51049	48.85403	47.85613	0.0402
At most 1	0.338506	25.2805	29.79707	0.1517
At most 2	0.204145	11.6431	15.49471	0.1749
At most 3 *	0.117047	4.10795	3.841466	0.0427

Trace test indicates 2 cointegrating eqn(s) at the 0.05 level

Source: Computed by the Authors

The result of the Johansen co-integration test shows two co-integrating equations which reveal that there is a long term relationship amongst variables in the model. The implication is that the null hypothesis of no co-integration among the variables should be rejected at five (5) percent level of significant; LOGGCF, LOGCPS, DEP and COM have long-run relationship.

4.3 Autoregressive distributed lag model

Since the variables are stationary of order I(0) and I(1), the autoregressive distributed lag model will be used to estimate long run form of the model and error correction model (ECM). The error correction test needs to be carried out to determine the speed of adjustment between the variables.

^{*} denotes rejection of the hypothesis at the 0.05 level

Table no. 3: ARDL Long run form and bounds test

Dependent Variable: LogGCF				
	Max Lag	Lag Order	F Statistic	
	2	(2, 2, 0, 0)	4.1553*** (k=3)	
Significant level		Lower I(0) Bounds	Upper I(1) Bounds	
1%		3.65	4.66	
5%		2.79	3.67	
10%		2.37	3.20	
R Squared	0.9857			
Adjusted R Squared	0.9817			
F-statistics	246.1647***			
	0.000			
Stability and diagnostic to	ests			

T-Stats

	1-Stats	p-value
Ramsey Tests	0.8709	0.3924
Normality Tests	0.5132	0.7737
Heteroscedasticity	2.3808	0.0519
Correlation Tests	0.0285	0.9719

n volue

Note: k is a number of variables. ***, ** and * are 1%, 5% and 10% of significant levels, respectively. Source: Computed by the researchers

From the analysis above, the F-statistic is greater than the upper critical bound at 5% significance level if GCF is used as a predicted variable. This confirms that the variables are cointegrated within period under study. Gross capital formation, credit to private sector, deposits with commercial banks and concentration of commercial banks are cointegrated for long-run relationship in Nigeria.

Four diagnostics tests carried out in the model are Ramsey test, Normality, Heteroscedasticity and Correlation; provided the probability value for each of the test is larger than 5% level of significance level. The results reveal that the coefficients are not statistically significant. Correlation test reveals that the p-value is not significant which shows the absence of serial correlation; this implies that the residuals are not serially correlated. Giving the significance of the p-value in the heteroscedasticity test, we cannot reject the null hypothesis of homoscedasticity against the alternate of heteroscedasticity. The normality test shows that the regression residual is normally distributed since the p-value is greater than 0.5. The diagnostic tests thus show that the specifications of the models are well stated and normally distributed with zero mean and constant variance. The models are thus robust and reliable for further analysis.

Table no. 4: Long run coefficients showing long-run Elasticities

Dependent Variable: LOGGCF				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
LOGCPS	0.859237	0.163585	5.252532	0.0000
DEP	-0.000479	0.000367	-1.305109	0.2037
COM	0.000838	0.00052	1.612211	0.1195
С	12.66504	0.622706	20.33873	0.0000

Note: ***, ** and * are 1%, 5% and 10% of significant levels, respectively.

Source: Computed by the researchers

Credit to private sector is statistically significant and has a positive and long run relationship with gross capital formation. A percentage increase in credit to private sector will increase gross capital formation by 86%. This implies that when financial services are affordable for citizens to get, investment will increase rapidly. Of course, the role of credit cannot be overemphasized in investment decisions. This is consistent with findings from Ojimadu et al (2016), Omankhanlen (2012), and Lucky and Uzah (2016) and conforms to the apriori expectations of this study. However, deposits with commercial banks show a negative relationship with gross capital formation, although this result is not statistically significant; a unit increase in deposits will dampen investment by -0.05%. Thus, deposits that are not conduit for investment will further diminish investment negatively. This again is consistent with Kodan and Chhikara (2013). Again, this means that deposits from individuals are not for investment purposes most of the time; individuals prefer to deposit with banks for safekeeping and not for the purpose of medium-term or long-term investment. Concentration of commercial banks show a positive relationship with gross capital formation; a unit increase in number of commercial banks will increase gross capital formation by 0.08%. This implies that the higher the number of banks, the higher the chances of easily accessing the commercial banks and financial services. This will ultimately lead to high investment in the economy.

Table no. 5: Error correction model

Dependent Variable: LOGGCF				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(LOGGCF(-1))	0.306809	0.146035	2.100932	0.0459
D(LOGCPS)	-0.067886	0.350659	-0.193597	0.8481
D(LOGCPS(-1))	-0.773243	0.386213	-2.002113	0.0562
CointEq(-1)*	-0.487443	0.099291	-4.909228	0.0000

Source: Computed by the researcher via E-views Software

Since there is a cointegrating relationship among the variables, table 5 above shows the speed of adjustment of the variables towards their long run equilibrium. The error correction term has a negative sign and is statistically significant, in consistency with theoretical expectation. The ECM in the above is -0.49 which implies that a deviation from equilibrium level in the current year will be corrected by 49% in subsequent years. Apparently, it will take about 4 years to ce

5. Conclusions and recommendations

This study examines the relationship between investment as measured by gross capital formation and financial inclusion (credit to private sector, deposits with commercial banks and commercial banks' branches concentration, which represent affordability, accessibility, and availability measures respectively). It is important to understand the relationship between investment and financial inclusion because of the role the duo play in economic growth. The cointegration test shows there is a long run relationship among the variables. Credit to private sector is positively related to gross capital formation and this conforms to apriori expectations. The importance of credit to private sector cannot be undermined in investment purposes. This therefore needs to be sustained for sustainable investment in the economy. In a country like Nigeria where corrupt practices are not found wanting, monitoring agencies that can be relied upon should be set up to ensure equity in giving out credit to private sector. Also, the private sector should be enlightened on the advantage of investment so that gross capital formation in the economy will be enhanced.

Deposits with commercial banks show a negative relationship with gross capital formation which could be as a result of low deposits from the citizenry. Research has shown that rural areas have dearth of commercial banks and so deposits from these areas may be low. Also, in a country like Nigeria where poverty level is high, people prefer to keep at home the little cash at their disposal rather than deposit in banks. Citizens should thus be properly orientated on the merits of depositing with commercial banks and having access to financial services.

Although number of commercial banks' branches show a positive relationship with gross capital formation, it is advisable that banks' branches are evenly distributed such that those in urban city and rural settlements will have access to financial services without discrimination.

In sum, availability and affordability of financial services is encouraging in Nigeria; however, there is a need to ensure stress-free accessibility to financial services which will be reflected on the deposits by private individuals. It is thus as a results of this, that researchers (Fadun, 2014; Omojolaibi, 2017; Rashid and Intartaglia, 2017; Nwankwo and Nwankwo, 2014) have reported that financial inclusion leads to economic growth and poverty reduction in Nigeria. Nevertheless, there is a need to sustain these measures as investment will only translate to sustainable economic growth if financial services are always available, accessible and affordable at every time and every place for the citizenry.

Some limitations should be taken note of in this study. Aside credit to private sector, deposits with commercial banks and commercials banks concentration, there are other proxies for financial inclusion such as number of ATM machines, commercial banks per 100,000 adults, formally banked adults, etc. The financial inclusion indicators used in this study are the most appropriate in examining relationship with investment. Further studies can also investigate the effect of financial inclusion on the dynamics of investment (i.e. changes in investment over time).

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The Rationale for Sovereign Wealth Funds in Nigeria: Issues and Considerations

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Abstract

A significant concern of sovereign wealth funds to monetary policy formation and implementation is the volatility in government revenue arising from sharing of the monetized oil proceeds which normally led to spikes in both exchange and short-term interest rates with disruption effects on the monetary transmission mechanism. To complicate the process, the excess liquidity sharing arising would lead to significant cost on the part of the central bank for liquidity mop up operation. This study reviews the aftermath of the current sovereign wealth funds in Nigeria and its potential of enhancing stability and policy coordination.

Key words: sovereign wealth funds, policy, Nigeria

J.E.L. classification: E00, E02, E03, G32

1. Introduction

The growth in recent years of Sovereign Wealth Funds (SWFs) has generated an extensive body of literature. Much of these literatures is largely descriptive. A huge portion is normative relating to foreign direct investment. Only a few fractions considered economic-theoretical issues and their implication on monetary policy coordination and savings for future generation. While, the sovereign wealth funds are invested globally, possibly because it consists a pool of money derived from a country reserves which are set aside for purpose of the benefit of economic stability and developmental financing.

In terms of concept, sovereign wealth funds are state owned investment which comprises of financial assets such as stocks, bonds, property and natural resources. SWFs may be held by the Apex bank, which accumulate funds through prompt supervision of bank and management of deposit money banks. Other sovereign wealth funds are pool of savings that are invested in various form such as Foreign Currency Deposit, Special Drawing Right (SDRs) and required deposit by International Monetary Fund (IMF). Success recorded from the sovereign wealth funds as evidence by Norway, China, Saudi Arabia, Singapore, Kuwait and United Arab Emirates have shown that sovereign wealth funds have several potentials of reducing inflationary pressures, transparency in economic management, increase saving for future generation and enhance economic stability.

Despite the glory attached to this relative initiative the need to review the existing framework of the sovereign wealth funds in Nigeria become crucial, since emphasis to provide solution to the controversies surrounding the Excess Crude Account (ECA) persist. Also, the need to put an end to budget shortfalls and ensure sound economic stability is the major concern of this study. The remaining part of this paper is broken into four segments. Next it starts with segment evolution of sovereign wealth funds and the Dividend of Sovereign Wealth Funds in segment 2. Followed by Literature review in segment 3and concluding remarks in segment 4.

2. Some Background

2.1. Evolution of Sovereign Wealth Funds

The establishment of the stabilisation funds precursor formed the foundation of the sovereign wealth funds. The stabilisation funds was meant to offset the revenue declines perceived from consistent decline in commodity prices or production growth which has led to volatility in the price of natural resource such as metals, diamond, crude oil among others. This stabilisation funds was designed to promote local development by smoothening spending during boom and burst period (Wolf, 2009). Because of the domestic financial sector recapitalization, the need for institutionalization and reallocation of resources the sovereign wealth funds was established. The Kuwait sovereign wealth funds were widely acknowledged as the oldest in the world. It was established in 1953 to assume the responsibility of managing the Kuwait's State Assets. Likewise, the Singapore investment corporation established in 1981 as private company to facilitate government savings to meet budget deficits and currency volatility, along side with the sovereign wealth funds established by United Arab Emirate, Saudi Arabia, China as well as the Norwegian Sovereign Wealth Fund established in 2008 (Blackson, 2011).

In Nigeria, the controversies surrounding the Excess Crude Account (ECA) has led to the establishment of the Nigerian Sovereign Wealth Funds as an urgent solution to meet the budgets shortfalls as well as enhance stability through policy coordination between the monetary and fiscal policies. By 2011, the Nigerian Sovereign Investment Authority (NSIA) was established and mandated to received, manage, and invest in a diversified medium and long-term revenue of the government. To make effective policy, the Governing Council was established and head by the president. This move gave room for independent body capable of holding, acquiring and disposing assets in its corporate name (Martin, 2008).

To carry out its mandate effectively, the NSIA has been broken down to three operational responsibilities which include Future Generation Funds (FGF), Nigerian Infrastructure fund (NIF) and Stabilisation Funds. While, the FGF is targeted at providing the future generation with savings, the NIF was targeted at making investment related to critical infrastructure such as power sector restructuring, agricultural growth, dams construction and sewage treatment. The stabilisation fund was considered for effective conduct of sound fiscal policy for reducing fluctuation in price level.

2.2. Dividends of Sovereign Wealth Funds

One of the major challenges to monetary policy formulation from government is the volatility in oil revenue. It is a very good development that establishes a mechanism for setting up the SWFs which will smoothen out the effects of volatility of oil prices and permit the intertemporal transfer of benefit from oil wealth (Tule, 2014). From the monetary policy perspective, sovereign wealth fund is expected to smoothen volatility in the financial market (money and capital market) and exchange rate which is often associated with sharing of government revenue. Given the dynamic structure of Nigeria economy, the recourse to the excess crude account in the course of budget implementation is to benchmark price of crude oil the budget. Suggesting that the government has to operate a fiscal deficit marked by improvement in term of trade that will impact on inflationary pressure and output growth.

3. Review of related literature

3.1 Conceptual clarification

The term sovereign wealth fund can be defined as accumulated savings of financial instrument owned by a state. Rozanvoc (2005) define SWFs as foreign exchange reserves earned by a state for a specific purposes. US treasury defines SWFs as government investment vechiles funded by foreign exchange assets that are managed sepereately by from reserves (US GAO Report, 2008). Wolf (2007) and Garten (2008) spell out the major characteristic of SWF, which includes, high currency exposure, lack of liabilities, risk tolerance and long term investments. In other to

contribute to literature, Anderson (2009) claim that SWFs are characterised by state ownership and seperate management without no explicit liabilities (pension fund). Balin (2010) similarly acknowledged that investment choices and asset allocation strategies in SWFs have severe implication on the financial return on world business and often lead to risk exposure of the domestic economy. While, the concept of SWFs have drawn our attention to the important of global equity and the implication of government asset on risk and growth volatility, the need to understand the structure and pattern of government investment as well as financial policy suitable for institutional formation for realising the objectives of this funds is crucial to avoid credit crises in the economy.

3.2 Theoretical Exposition

In the extant literature, two main theoretical proposition justifies the existence of SWFs which are the financial management and economics theory. The financial management theory is an application of finance in international trade flow that persuade Central bank to accumulate foreign exchange reserve for building external reserves beyond the threshold of require future import bill (Rozanov, 2010). The financial management theory attempt to prevent risk and enhance foreign reserves, the economics theory considered price mechansim which is concerned with demand and supply of capital rooted in monetary policy framework. While, the economist considered the concept of lending when the entire money in the economy is reserve without quest for domestic investment. Beyond obvious both views point out the needs for SWF as an investment strategies for any economy that aspire for growth and equally point out risk dimesion for the same ambition.

3.3 Empirical Evidence

The debate on the rationale for sovereign wealth funds and it implication on investment strategies of the government have generated serious academic equieries in recent years. For instance, Fernandes (2009) investigates the rise in SWFs around the world using a dataset from 2002 and 2007, the results shows that SWFs have implication on stabilising effect on financial markets. Similarly, Bernstein, Lerner, and Schoar (2009) examines the direct private investment strategies across sovereign wealth funds state and their relationship to the funds organisational structures using P/E ration analysis. Their results shows that SWF is likely to stimulate investment in an environment with less political involvements. In a postgraduate thesis presented by Al-saidi (2012) on analytical study of sovereign wealth funds strategies and policies with attempt to address the main problem of sponsoring and invetee countries about governance and transparency of major SWFs in Oman. The results of the author suggest that Oman SWF has issues concerning governance, transparency, accountability and investment strategy which is rooted in its international policy mechanism.

Megginson (2014) analysed the evolution of the initial SWFs from stabilisation funds to stand alone wealth management funds using a survey research of 25 countries. The author observes that SWFs might have a potential threat to monetary policy formation during the period. Gelb, Tordo, Halland, Arfan, and Smith (2014) argues that a well governed sovereign wealth funds with sound mandate and professional management can improve the quality of public investment program. In 2015 paper, Ficova, forcast the future growthof sovereign wealth funds using a data from number of SWF and that any change a change in assets unders SWFs will lead to change in future investment during the period reviewed. Cheng (2015) examines the impact of sovereign wealth fund investment on international institutional investors and attempt to address a comprehesive gap in literature using a survey of the world major 24 SWFs with assets under management of 500 million USD between 2008 and 2012. The authors results shows SWFs a great variety in terms of funding mechanism, governance, asset allocation and investment strategies, but political objective has a severe implication on the degree of other international investors. The authors paper attempt to bridge the lacuna in literature but end up providing unnecessary complication on firm behaviour.

Beyond doubt the above reviewed studies, have attempts to identifies various threat to the potentials of sovereign wealth in their various location of studies. While, the highlights of there major findings includes: institutional difficulties, risk exposure, effect on stability of financial

market, poliyical constraints among others. Despite the interesting findings and observation, it appears that there is no conclusion on the rationale for sovereign wealth funds and information supplied by these studies are provide more confusion and need further clarification. As such the preoccupation of this study is to bridge the observed lacuna in literature and provide strategies that will help realised the potentials of sovereign wealth funds in Nigeria.

4. Concluding Remarks

The current state of the Nigeria economy shows that oil revenue account for a larger share of government budget, as such the monetary policy environment is dominated by fiscal measures. Therefore, the rationale for monetary and fiscal policies coordination become obvious. Although, the Nigeria government have attempted to establish the monetary and fiscal policies coordinating committee (MFPCC) for creating a platform for harmonization of monetary, fiscal and debt policies with a view of promoting stability in the financial system.

This study queries the existing policy coordination arrangement and suggest urgent need to address the problem of excessive liquidity in the Nigerian financial system, especially when monetization of dollar revenue has curtailed the development of the foreign exchange market and weaken the pragmatic monetary policy efforts. By implication, there is high risk and high return on the aspiration of SWFs as such the Nigerian government need to trade with care to avoid collapse of the economy.

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Monetary Policy Transmission Mechanism in Nigeria: Does Interest Spread Complicate Inflationary Targeting?

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Abstract

Prolonged deviation in the interest rate spread in the monetary transmission channel has become the point of academic inquiry in recent years. The possibility that the current interest rate spread and poor liquidity management of the Central bank have combined to frustrate the financing role of majority of deposit money banks in Nigeria. This study analysed the extents to which varied interest rate monetary transmission complicate investment and inflationary targeting framework of the bank. The results shows that interest spread have severe implication on the stability role of the Central bank in Nigeria.

Key words: interest rate, monetary policy, financial stability, inflation

J.E.L. classification: E4, E42, E5

1. Introduction

A flashback to the financial crises in the middle and final quarter of 2007 and 2009 create another lacuna in financial economic literature on the extent to which interest rate monetary transmission channel can influence the operation of the Deposit Money Banks (DMBs) and possibly avert shocks that may affect the real economic activities in the country. Apparently, the financial crises have raise doubt on the capability of existing monetary policy to enhance stability in the financial system, since studies have shown that there is perceived intricate relationship between interest rate spread and operational role of the deposit money banks. For instance, Chiwira, Tadu and Muyambiri (2013) argue that the exploring condition under which monetary transmission regulates the money market will provide basis for financial stability role of the Apex banks. Khan, Ahmed and Gee (2016) also pointed out that closing the gap between the domestic savings and investment will facilitate the degree of monetization in the economy. Ahmed and Mallick, Mohanty and Zampoli (2017) established that serving the unserved population and granting credit access to stimulate investment is crucial to enhance for monetary policy formation.

The preoccupation of this study is to analysis the relationship between monetary policy rates and money market indicators in Nigeria. The study also assesses the trend and flow of this money market fundamentals and its implication on the operations of the deposit money bank vis —a-vis deposit mobilization and their lending role. While, the outcome of this study is expected to provide strategies for resolving the conflict between inflation targeting role and the developmental role of the Central bank and also provide policy options for efficiency operation of deposit money banks in terms of resource mobilization and reallocation.

Following the introductory section, the paper is structured into five main sections. Section 2 discusses some stylized facts on monetary policy rates and money market indicators in Nigeria. Section 3 provides a brief literature review both at the theoretical and empirical level. Section 4 addresses the theoretical framework, while section 5 discusses empirical results, concluding remarks and policy implications.

2. Stylized Facts on Monetary Policy Rate and Money Market Indicators in Nigeria

Trend in Monetary Policy, Interbank rates and Treasure bill

An in-depth understanding of how monetary policy rate affect changes in availability of credit supply provide basis for price stability and economic growth. In Nigeria, the Central bank through the monetary policy committee regulates the interbank rate and Treasury bill in the money market in other to ensure sound financial system.

Figure no. 1. Trend Analysis of Market Rates Indicators and Monetary Policy Rate, 1980-2016

Source: CBN Statistical Bulletin, 2016 and World Development Indicators, 2016

The Figure no. 1 shows that there is a strong positive correlation between monetary policy rate, interbank rate and Treasury bill in Nigeria during the period reviewed. The trend provides evidence that MPR passes through T-bill within a month and that there exist a long relationship among the three indicators.

Trend in Monetary Policy and Savings Deposit rates

Economic literature widely acknowledge that an high interest rate usually serve as incentive for people to save more, knowing fully well that economic agent are expected to earn more income for saving their money in the bank.

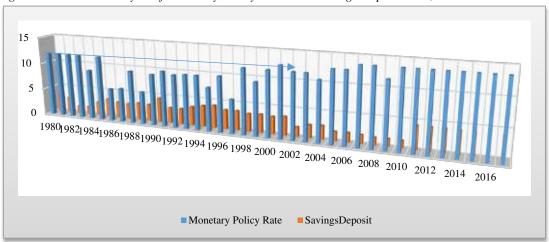


Figure no. 2. Trend Analysis of Monetary Policy Rates and Savings Deposit Rate, 1980-2016

Source: CBN Statistical Bulletin, 2016 and World Development Indicators, 2016

Figure no. 2 shows that the degree at which the deposit money banks can attract savings mobilization depends on the manipulation of the MPR. The figure depicted existing variation in the MPR and saving deposit in Nigeria during the period reviewed.

Trend in Monetary Policy and Financial Confidence Index

Prior to the introduction of financial liberalization in 1986, the level and structure of interest rate is fixed by the Central bank. This makes it easier for the bank to control the deposit and the lending rate. The autonomous control makes it possible resource allocation and credit disbursement to the preference sector. For instance, concessionary interest rate was granted to the agricultural and the manufacturing sector to stimulate investment in the country.

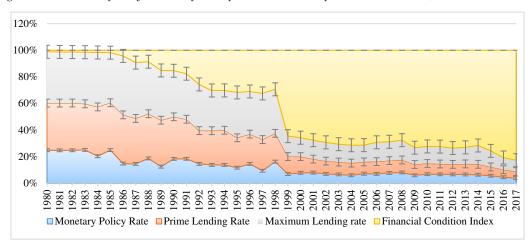


Figure 3. Trend Analysis of Monetary Policy Rates and Money Market Indicators, 1980-2016

Source: CBN Statistical Bulletin, 2016 and World Development Indicators, 2016

Figure no. 3 buttresses this analysis; it shows that MPR have severe implication on the prime, minimum and maximum lending rates which has implication on investment in the economy. As it stands, the prime lending rate which is charge on high network individual is highly correlated with MPR, while the maximum lending rate disbursed to mortgage banks and SMEs financing seems to be less attractive. The minimum lending rate meant to drive lower credit rating customer was highly affected by MPR.

Trend in Monetary Policy and Consumer Confidence Index

The twenty century set a stage for inflation targeting in Nigeria by recognizing the independent role of the Central banks. The bank mandate now focus on inflationary control at the expense of it developmental role coupled with additional mandate for poverty reduction. The monetary policy authority made attempt to manipulate the MPR to achieve these objectives. At some point, the Central bank try to tighten the MPR to enhance stability of the system which further complicate the process of monetary policy implementation. Obviously, the deficiency and limited competition is enough argument to justify the degree of monopoly power in the money market which has implication on the inflationary expectation.

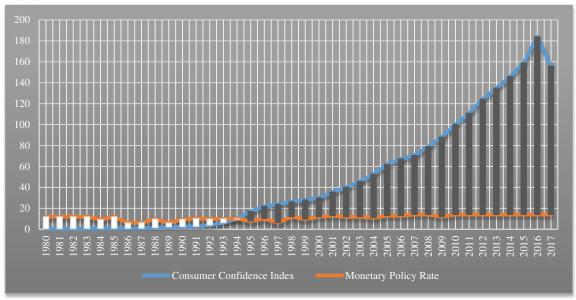


Figure no. 4. Trend Analysis of Consumer Confidence Index and Monetary Policy Rates in Nigeria, 1980-2016

Source: CBN Statistical Bulletin, 2016 and World Development Indicators, 2016

The Figure no. 4 indicate that a stronger asymmetry relationship exist between consumer price index and monetary policy rates between 1980 and 1994, suggesting that monetary was very effective during the period. However, wide variation was observed between 1998 and 2016. This implies that the monetary policy rate performed below expectation during the period.

3. Review of Related Literature

3.1. Review of Related Theories

Economic literature has suggested two main approaches to how Central banks can use monetary policy rate to affect money market indicators in other to curtail inflationary pressure in an economy (Nelson, 2000). The first strands of the literature was advocated Friedman Milton for optimal monetary policy that will lead to a steady rate of deflation (Bernanke, 2017). According to Friedman, monetary policy affects the nominal rate of return, but not the real rate of return, at least, in the long run. Friedman therefore suggested that if the Central bank can ensure that expected inflation equals to the negative of the rate of return, the nominal interest rate will be equal to zero. This implies that Central bank needs to generate a sustainable deflation in the economy to drive nominal interest rate on short term security such as Treasury bill and interbank rate to zero (Fiedman. 1972; Meaning and Zhu, 2011). While, Friedman's suggestion may seems complicated in a higher monetized economy, since the Central bank must ensure that growth in money supply must be equal to the real rate of return in the economy. It suggestion cannot be ignored since the possibility of consumer price index to fall as the money supply is declines is logically advocated. The second strands of the literature disagree with Friedman suggestion on the possibility of its rules to conflict other objectives. These economists argues that monetary policy is more important for reduce the opportunity cost of holding money and responding to shocks that hit the economy (Taylor, 1980). Therefore, the traditional role of money advocated by Keynesian theory holds. These economists further favour the Taylor monetary policy rules that suggests a reduced form of approximation response of the nominal interest rate, as set by the Central bank to change in inflation, output or other economic conditions (Taylor, 1993).

3.2. Empirical Review

Over 30 years of empirical studies, Friedman (1972) and Taylor (1980) observation continued to generate hot debate with controversial and/ or inconclusive results. This is not surprising the logical display of their model must have created a puzzle that needs more reconciliation with recent economic realities.

In 2001 paper, Petursson discusses the transmission mechanism of monetary policy and it implication on aggregate demand formation. A Petursson result shows that economic agent has important role in monetary policy formation due to the role of expectation in policy design. In a similar study, Gomez and Julio- Roman (2003) describe the nature inflation and how it evolves in Colombia and shows that monetary policy has greater impact in curtailing inflationary pressure in Colombia

Sander and Kleimeier (2006) investigate interest rate pass-through in four Common Monetary Area (CMA) countries of the South African Custom Union (SACU). The authors show that CMA bank lending market exhibit a higher degree of homogenization as the pass through is often fast and complete. In the same spirit, Mukherjee and Bhattacharya (2011) examine the operation of Keynesian interest channel of the monetary policy transmission mechanism in five potential inflation targeting economies in MENA region and compare it with fourteen inflation targeting (IT) studies. The authors results suggest that private consumption and investment in both group of countries move with interest rate.

Lange (2016) examines the monetary transmission and inflation targeting regime using the switching VAR approach for Canada and show that innovation in monetary transmission impact on inflation in Canada. Tagchi and Wanasilp (2018) review the Thailand monetary policy rules and it performance under the adoption of inflation targeting regime since 2000 using Vector Autoregressive Model. Their results suggest a countercyclical response of monetary policy toolkit to inflationary pressure in Thailand

A flashlight on the existing studies reviewed above shows that there is a setback in their information as well as methodology used. Beyond obvious the controversy between Taylor rules and Friedman argument was ignore in the context of using robust econometric model to justify their results. More worrisome, the use of VAR in policy studies does not provide basis for forecasting nor rely on any economic theories which was common used by this studies, as such the results presented were complicated and misleading. Thus, the lacuna in the existing studies call for reconciliation between theoretical underpinnings and economic realities which is the aim of this present study.

4. Conclusions

The articles look at how monetary transmission mechanism affect the operation of deposit money bank in an attempt to stabilized the economy and curb inflation. Varied constrained to effective monetary policy was identified along with the theoretical logic in Taylor rule and Friedman Milton arguments. Annual series data was collected to describe the behaviour of considered indicators. The review shows that the existing monetary policy impact negatively on the traditional lending role of deposit money banks and affects their ability to finance the economy.

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Current Trends in Shipping and Port Marketing Research

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Abstract

Maritime and modern port marketing have acquired a number of features that differentiate them from those applied in the field of production and disposal. Marketing in the field of naval transport synthesizes the orientation of the activity of the shipping company or the port operator to the needs of the shipping market. This type of marketing is especially important to ensure a continuous and systematic flow of information about the maritime and port market, the dynamics of the company's relations with its outside. Hence, the need for marketing professionals to carry out a range of activities to obtain accurate information to help the company's management lead to marketing efficiency and integration into the other company's business.

Key words: shipping, port, marketing, research, management.

J.E.L. classification: I21, M31, O15.

1. Introduction

Long time, marketing research has not existed in shipping or port operating companies. A first step was made when shipping and inland waterway companies, for passenger transport and especially those offering luxury cruises, began to look for travelers and especially tourists to offer trips to the sea or rivers. At port operators, increasing competition on the same freight traffic segment has forced port companies to organize customer search services and then all necessary market information. The marketing research in shipping and port operation must be geared to using its results in the management decision process (Branch, 1988). Regardless of the nature and objectives of managerial decisions, the scale and the nature of resources that these decisions employ, decisions become correct insofar as they support the results of well-organized marketing research. The information resulting from marketing research is useful in all phases of the decision-making process, starting with highlighting the opportunity and the conditions of the decision making, continuing with the identification and comparison of its variants and ending with the effect of the decision taken.

2. Aria, typology and location of the marketing research

Marketing research has a particularly large and complex area. The complexity of processes and phenomena pursued by marketing research require a large number of variants to study them (Prutianu et.alt, 2002). The first field of marketing research is the company itself, starting with the objectives, strategies and development policies, then with the human, material and financial resources, ending with its ability to mobilize and adapt to the established objectives. These aspects need to be quantified as accurately as possible, so that they have a particular weight in the marketing research program and in substantiating decisions. The most important area of marketing research is the study of the maritime market, because the phenomena and processes within it are quite many, complex and dynamic (Iordãnoaia, 2009). In this respect, the general aspects of the maritime market (eg the number of ships of a certain type) must be investigated; particular aspects for certain periods or seasonally; knowing the dynamics of phenomena on this market; market conjuncture in its entirety or in certain sub-markets where the company operates. Care should be taken to investigate the spatial dimensions of the maritime market, the degree of concentration of

market measures, the flow of goods, the structure of the market for the commodities concerned and the main aspects of the market. An important role for research is represented by the different phenomena and categories of the maritime market such as: demand and supply of goods, ship demand and supply, transport prices (vans), exports and imports in a country or geographical area, market shares of companies, etc. Another aspect that can not be neglected in the marketing research is the incidents of other environmental components on the company's marketing activity, such as: the general evolution of the national economy, the evolution of shipping, the evolution of competition and its market policy, legislative and institutional aspects, the components that make up the company's macroeconomics, technological, ecological, demographic, social-political, cultural, knowledge of customer behavior and their needs (Iordanoaia, 2005). The results of the investigations should be analyzes and forecasts for the substantiation of programs and marketing activities to assess the company's performance. Specialists believe that "the whole sphere of marketing can benefit from the contribution of marketing research" (Prutianu et.alt, 2002). But this activity must be organized and conducted in such a way that it can cost reasonably, carry out quickly, provide accurate, relevant and sufficient information for making the right decisions. The typological analysis of marketing research uses a number of criteria as follows:

A.Depending on the subject of the research, as the main criterion for grouping marketing research, these may be: exploratory, descriptive, explanatory, predictive and instrumental.

- 1). Exploratory research aims to identify the phenomenon investigated, to determine the general coordinates of the domain or phenomenon concerned, to identify or confirm a certain hypothesis.
- 2). Descriptive research is depth investigations that include the details of the phenomenon investigated. These are organized when there is insufficient information about a marketing phenomenon, so the description and evaluation of its coordinates, everything that happens with the phenomenon, is being pursued.
- 3). Explicative (causal) research is used to explain the specific, temporal and spatial unfolding of a particular phenomenon, its evolutionary variants, its dependence on the explanatory variables considered, the direction and the intensity of the influence of these variables.
- 4). Predictive research aims to look to the future, aiming at deciphering the trends in the future (short, medium or long term) evolution, marketing phenomena, but also the changes that may occur in the dimensions, the structure or how they manifest.
- 5).Instrumental research refers to the testing of research tools that act as a precursory and preparatory phase for a proper research.
 - B.Depending on the location of the research, we have: desk research and field research.
- C.Depending on the frequency of the research can be: permanent, when they are carried out systematically; periodic, when performed at certain time intervals; occasional, when not repeated in time.

The option for one variant or another must be the result of serious, detailed analyzes and efficiency calculations. The decision will take into account the advantages and disadvantages of each of the two variants. The advantages of using the services of certain firms have the following advantages: research is carried out more objectively; use strictly specialized staff; presents great flexibility and adaptability to the specificity of each research. Disadvantages may be caused by the situation where the researcher is not sufficiently familiar with the company's problems, the difficulty in formulating the findings of the research; the difficulty of obtaining the necessary information in the shortest time, and the cost of research is high (Kotler, et.alt, 1999).

3. Maritime and port current market research

Research and knowledge of the maritime and port markets is now very important. Marketing research in this area can no longer be ignored, left behind or without dedicated budgets. Table 1 presents the research content of the two markets.

Table no. 1. Maritime and port market research orientation

	and port market research orientation	
OBJECTIVE AND	MADITIME MADIZET	DODT MADIZET
FIELDS OF RESEARCH	MARITIME MARKET	PORT MARKET
	-Navigation lines, routes and ports.	-Marine and river transport services.
1. Getting information	-Competing companies and the type of ships in	-Prices for different types of port services.
about:	their property.	-Activities or related services provided by
	-Port services required for ships.	competitors.
	-Prices for different types of port services.	-Promotion methods and techniques used by
	-Activities or related services provided by	competitors.
	shipping companies.	1
	-Promotion methods and techniques used by	
	competitors.	
2. Specific Marketing	-Maritime market in its assembly and sub-	-The port where is the head office of the
Environment.	markets commodities.	company.
	-The market for new shipbuilding and repairs.	-The general situation of competing ports
	-Freight market (for the "tramp" navigation).	on the same coast or in the near seas.
	-"Second hand" and the sale of scrap metal	-Sale of new and second-hand port
2 751	market.	equipment.
3. The organization of	a). Competing companies:Number of ships, their type, characteristics,	a). Competing companies:-Number of port facilities, installations,
marketing activities of	transport capacity, operating systems used.	type, characteristics, transport capacity,
competitors.	- Maritime navigation routes, river transport	loading and unloading used.
	links, roads, railways, transshipments sites.	-The type of cargo operated, the maritime
	- Main contracts, their durations, special clauses,	and river shipping companies with which
	other important elements.	they operate, the water, rail, or road links.
	b). Potentially competing companies. Typically,	-Main contracts, their duration, special
	those who have tramp vessels and want to enter	clauses.
	some navigation lines.	
4. Potential customers.	a).Get information about potential customers:	a).Get information about potential
	-The names of the companies we're interested in.	customers:
	-Domain of activity: production, commodity,	-The names of the companies we're
	trade, brokerage (double-sense, customer or	interested in.
	supplier)The main contracts.	-Field of activity: production, exploitation of raw materials, transport, and trade.
	b).Potential Customers:	-The main contracts.
	-Who are they?	b).Potential Customers:
	-Why are they interested in the company's	-Who are they?
	services?	-Why are they interested in the company's
	-When you call the company?	services?
	-What are the relationships with them?	-When he calls the company's services to
	c).Brokers in the market. Expanding tramp	operate the goods?
	shipping companies need brokers operating on	-What are the relationships with them?
	that market or in the navigation area.	
5. Fields of research.	-Measurement of the maritime market to	-Measurement of the port market to
	determine: size, potential, forecast of the	determine: the size, the potential, the
	quantities of goods, forecast of the number of	forecast of the quantities of cargo, the
	vessels.	forecast of the number of ships to enter the
	-Competing companies to find out about: their general policy, the way they act on the market,	portCompeting port companies to find out
	the trends of expansion or the decline of activity.	about: their general policy, how to act on
	-Situation of the national, European and global	the market, the expansionary tendencies or
	economy.	the decline of activity.
	-Political and economic environment.	-Situation of the local, national, European
	-Legislation in the countries where the activities	and world economy.
	are carried out on line vessels.	-The local, regional or national political and
	-Efficiency for the allocation of funds needed for	economic environment.
	research.	-National and European port legislation.
	-Promotion and advertising costs.	-Efficiency for the allocation of funds
		needed for research.
G A d 1	 	-Promotion and advertising costs.

Source: Author's study, (Iordănoaia, 2005), (Iordănoaia, 2009), (Sasu, 1998), (Catoiu et.alt, 2002).

Continuing research requires a detailed understanding of competing companies: how they operate, the advantages and challenges they face, prices or tariffs, additional contractual clauses, strengths, weaknesses, etc. Maritime market research is carried out in the country of origin and abroad. Depending on the objective pursued, research can be carried out as follows: in one or more countries; on a certain sailing route; for a certain type of merchandise; by ship type (eg container ships). The higher the number of countries, the client firms, the competitors, the more complex the research. In this situation, in order to prevent a series of obstacles related to the lack of data, documents or publications, an extra effort, intelligence and inventiveness is needed to obtain all the

information. All this involves some costs that must be included in the Company's revenue and expenditure budget. Costs are reduced by establishing contractual relationships and carrying out activities. There is no cost-free research, the result of market research can anticipate its positive or negative evolutions, company positioning, business success, or bankruptcy.

4. Research process in the maritime and port marketing

It can be structured on the following stages, main aspects and details of research, as in Table 2:

Table no. 1. Research Process in the Maritime and Port Marketing

STAGES OF THE RESEARCH	MAIN ASPECTS OF RESEARCH	DETAILS OF RESEARCH	RESEARCH RESULTS
1. Target setting.	a).The structure of the maritime market.	-The "physical" size of the marketStage of development in one country or moreThe number of competing companiesThe segment of the market occupied by competing companiesMethods of approach, entry on the market.	This column shows the concrete results of the research.
	b). The service offered to customers by the shipping company.	-The number of ships availableType of ship: dimensions, capacities, nautical qualitiesOperating mode: loading, unloading, stacking, and lashingCrew: training, seriousness and professionalismEnsuring the shipContract termsPrice (freight) required.	
	c).The service offered to customers by the port operator.	-Direct operations for shipsCarriage operations in port or berthOperations accompanying the shipping service or port operators.	
2. Searching for sources of information.	a).Sources of information from primary data.	Get it from the specialty field: patrons, ship-owners, chatterers, brokers, shipmasters, supervisors, business representatives, experts, business executives, company customers, business partners (suppliers). Are expensive, subjective, must be checked permanently, limited in content, confidential. Are obtained through official interviews, personal discussions, attendance at meetings, symposiums, protocol meetings, celebrations.	
	b).Sources of information from secondary data.	-They are obtained from the published documents, from their own libraryHave a lower cost, are available, circulate on the market without restrictionsMay be incomplete or out of date, but require a great deal of work, careful consideration and knowledge of the limits.	
3. Data collection and processing.	a).Information obtained before research (secondary data).	-AvailabilityReliability, trust and guaranteeThe ability to compare in time and spaceValidity, actual value of dataWho are the authors (editors), the purpose of the editing, the content and the logic of the data.	
	b).Information to be searched.	-Search program, people responsible for search and planning of searchesThe sources of information that will be investigated, analyzed and chosen to get the right informationThe decision to choose the final sources of information.	

4. Analysis and interpretation of the data obtained.	a). Analysis of information and data. b). Interpretation of information and data. c). Role of the company's specialist performing research and interpretation of information and data.	-Primary and secondary data may be limitedSynthesizing essential information and dataStudying the variables that can influence the study of information and dataUnderstanding the policies and practices of competitors in the maritime and port marketLocal attitudes and habits must be understood, leaders' attitudesSkeptical attitude towards the dataVerifying the accuracy and timeliness of the informationUsing imagination and creativity to process and adapt information.	
5. Develop and submit a report to the managers.	a).Characteristics of the report. b).Adopt decisions based on the report.	-High degree of general culture and ability to understand the situation. -The report is confidential, it is addressed only to the management. -The company's director decides the subordinates' access to the report. -"Sensitive" information should be discussed and kept only in the company. -The report should be the basis for management decisions. -Risks of taking decisions must be taken by those who adopt them.	

Source: Author's study, (Iordănoaia, 2009), (Kotler et.alt, 1999), (Catoiu et.alt, 2002).

The most important bodies and institutions from which information and data can be obtained, which are needed in maritime and port marketing, are presented in Table 3.

Table no. 3. Organizations and institutions with major activity in maritime and port marketing

THE POSITION OF THE ORGANIZATIONS	ORGANIZATIONS AND INSTITUTIONS
a). International organizations.	- The United Nations.
	- International Maritime Organization.
	- European Union.
	- The World Bank and the International Monetary Fund.
	- Paris Chamber of Commerce.
	- International Maritime and Commercial Tribunals.
	- Courts of International Arbitration.
	- Ship-owners Associations (Conferences).
	- Broker Associations, P & I Clubs.
b). National (state) organizations.	- The Government and the Ministry of Transport.
	- County and Local Councils.
c). National non-governmental organizations.	- Chamber of Commerce, Industry and Navigation.
	- Producer Associations (on different branches).
	- Carrier Associations.
	- Logistics and Multimodal Transport Associations.
d). Companies.	- The banks.
	- Insurance companies.
	- Business centers.
	- National companies, advertising companies, specialized
	publications.

Source: Author's study, (IMO, 2018), (CIMR, 2018).

5. Conclusions

Establishing the goal to be pursued in the research, defining the problem faced by the shipping company or port operation, which needs to be solved, presents a certain difficulty due to taking over from a business and turning it into an important issue to be researched. For defining a problem and setting the goal, consider all of the above issues. At the beginning of research, searching for sources of information is the most important activity. This requires people specially trained for this type of activity. Depending on the cost, it is possible to choose the primary or secondary data, but it starts with the secondary one, which is the cheapest and available to the company.

The collection and processing of data must be planned, organized and carried out with great care and detail. After obtaining the information, a very important stage remains related to the correct assessment of the credibility and accuracy of the data. Analysis, interpretation of information and data becomes very important in the current context of competition on multiple platforms. Upon completion of this activity, the research ends with the preparation and submission of a report to the company's management. The report must be decisive for decision-making, it is not ambiguous and does not leave room for interpretation. In this way, marketing can bring added value to shipping and port operation companies and all costs are justified.

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The Importance of the BRICS Group in the International Economic System

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Abstract

This study is conducted on the BRICS group and it presents some possible future evolutions of the alliance through scenarios in terms of its growth and development - both horizontally and vertically. It is based on the analyzes carried out by several international organizations such as Goldman Sachs or the UN, but also on the data and information made public by the BRICS through reports, statements and other official documents.

Key words: BRICS, scenario, horizontal & vertical development, global economy

J.E.L. classification: F53, F63

1. Introduction

Now an alliance, a phenomenon and even an economic mechanism - BRICS at first was just an acronym, a marketing trick, intended only for the sale of intellectual products to US businessmen, which also applies to the choice of the countries included in this group. However, since the middle of the first decade of the 2000s, to the economic reasons and to the word game have been added the political and the security ones.

The project began to live its own life and it started to become a quasi-block made up of four, and then of five states, all of them united by the idea of reformatting the modern system of international relations to a multipolar one. Another idea unifying the group is the alignment with the current economic power of by adopting some global economic and political decisions. Despite their differences, another thing that unites the five BRICS countries is the desire of liberalization of trade, economic and financial relations between them – the intra-BRICS relations.

Meanwhile, the Association of Brazil, Russia, India, China and South Africa - BRICS (established at the initiative of Russia in 2006) managed to achieve significant results in a short time, becoming so an influential player on the international market. BRICS could be seen as a symbol of an increasing power, a vector for the formation and maintenance of a polycentric world, which has continued to expand both horizontally and vertically, at different levels but also in various fields and sectors of activity.

The main purpose of the presented analysis is to predict the future evolution of the BRICS formation and to deduce some possible scenarios regarding the growth and development of the group, both vertically and horizontally. Building on the premise of a multi-polar world and the emergence of emerging countries as a power with ever-increasing global economic and political influence, particularly in the global economic crisis, we have come to the conclusion that the BRICS group will have a prosperous future, if these countries are still united and open to a further collaboration.

This cooperation of the emerging countries is likely to change current trends at the global level, especially regarding the financial market due to the creation of the *New BRICS Development Bank*, their efforts of changing some elements of the SDR basket, their investment in research & development sectors, in the development of ICT or in the training & formation of available national human resources. The future premises for BRICS collaboration are the creating of different cooperation / discussion platforms, BRICS working groups or signing statements. More

specifically, the aim of all these actions is the consolidation of all kinds of intra-BRICS relations and it underpin the shifts in the global paradigm.

2. Theoretical background

In the literature, BRICS Group is considered as one of ,,the most innovative and surprising new elements in the structure of global governance" (Stuenkel, 2012). Although the legitimacy of the group continues to be disputed as long as no member of the alliance is mandated to represent its region, the coordination of international member states' positions has become more visible in recent times, though often in a more slightly trembling (Oehler-Şincai, 2014, p. 1).

Since the 2000s, various scientists and international organizations have shown interest in the medium and long-term evolution of the BRICS - Goldman Sachs, the UN, or the World Bank. And at that time each of them predicted a more or less significant increase for each member of the group (with the exception of South Africa, which became a member of the alliance later).

For example, the Goldman Sachs (GS) experts made a report on the status of the four countries and BRIC evolution in the future in 2010 (www.imf.org). The GS survey is taking into consideration over 70 countries globally and it predicts that by 2050 BRIC will provide 40% of the world's Gross Domestic Product and group's member countries will be among the top six economies in the world (except the South Africa).

The GS experts also have come to the conclusion that the current BRICS member countries as well as future members of the group will achieve higher performance than the current developed economic powers (the Rich North) by 2050. If the assumptions and results of Goldman Sachs research are true, it means that belonging to a group of emerging countries and the creation of the BRICS itself proved to be a brilliant idea that will lead the developing countries towards economic progress, thanks to their cooperation, both intragroup, as well as externally, with other international economic partners.

Another research is conducted by the United Nations (UN), the results of which are presented in the "*The Situation and the Perspectives of the World Economy*" 2013th report. This highlights the sharp slowdown in the GDP growth in several major emerging economies in 2017 comparing to 2011, including China, Russia, India and Brazil. Also, the UN predicted at that time that the BRICS countries' GDP values will rank these states in 2017 in the top 10 worldwide. But this didn't happened till 2017, contrariwise, countries such Russia and Brazil have lowered two positions in the rankings.

Another possible evolution of the BRICS group is presented by proffessor Dinu S.-M., where the author presents the GDP values of the BRIC Member States (excluding South Africa) compared to the G3 economy, which is represented by the US, EU and Japan both in the first decade of the third millennium (2001-2010) and the second (2011-2020). (Dinu, 2010, p. 40)

In his opinion, the GDP of the BRICS group is assumed to be twice as high as the current GDP of the G3 economic triad by 2020, and China will continue to play a significant role within this group, both economically and politically. It could be noticed that China's GDP is likely to reach a net higher value than the G3. (*Dinu*, 2010, p. 40)

Following the analysis of BRICS's official information and its public reports (www.infobrics.org), a moment I consider to be a turning point for the future evolution of the BRICS Group and for global financial system too, it is the 2013th BRICS Summit, when the leaders of the member countries have decided to create a new global financial institution - the New Development Bank - an idea they implemented in 2015. This bank's aim is to finance emerging and third-world countries as aid for their sustainable development, thus becoming a competitor for the IMF and the World Bank outside the Western market.

3. Methodology

The present study has an interdisciplinary approach, involving not only economic issues but also some specific to international affairs, regionalization and integration. The author also touched on subjects specific to international economic relations and geopolitics.

As research methodology the author used different methods and techniques such as economic analysis, comparisons, analogies and synthesis. It is an empirical and qualitative analysis and an interdisciplinary study. The basic research methods used was the method of the scenarios, the synthesis and the deduction based on the the theoretical background and the the literature review.

4. The future economic evolution of the BRICS group. Benchmarking

BRICS is an young phenomenon in the global system but it has already succeeded in establishing itself as an essential structural element in the change of the world architecture. In the short period of its existence, BRICS has been able to do many things. The Group succeeded in raising the opinion of the experts of the main western economies and also the opinion of their own national population regarding the neglect of the alliance and its relative acceptance.

This "quasi-organization" has already demonstrated its role globally, especially in terms of achieving the objectives. It is now an alliance of five states with a flexible, gradual and evolving agenda that adapts to the moment, depending on the local and international changes that take place (*Oehler-Şincai*, 2014, p. 1) with objectives and ideas the development of the bold group, with Russia and China as the pillar of the BRICS.

Intra-BRICS cooperation is very important for the future development of the five Member States and for the future of the global political and economic systems too. For this purpose, a broad agenda is drown up and it is developed permanently, covering areas such as finance, agriculture, economy and trade, combating transnational crime, science and technology, health, education, and corporate, academic and security dialogues among others (www.infobrics.org).

The policies initiated by the BRICS could do it a clotting center for other countries, which would make the group's share a key factor in the decision-making process in G-20 meetings, for example. This, by default, could reduce the political influence of the G-7 group worldwide. If the above-mentioned evolution is to take place, this collaboration can get the outlines of a "collective leadership of the world", which would create serious problems for the US foreign policy as well as that of the European Union. (*Tămaş, 2012, p. 138*)

The forecasts for the future of the BRICS group and the views on its evolution up to 2050 are different and divided, as it was presented before too. Thus, the study leads us to anticipate some possible scenarios regarding the future evolution of the BRICS, which present both the horizontal and vertical development of the organization.

Scenarios on the future BRICS horizontal evolutions

- 1. *BRICSA:* With the beginning of the BRICS new summit cycle, Argentina was invited by Russia for the first time to take part in the South African Summit that took place in 2018. Although this is not yet equivalent to membership, it is still a first step towards joining the alliance. Argentina is another emerging country with a development potential, rich natural resources and a developed agricultural sector, which is very close to the US and it is neighboring Brazil too. Analyzing the current situation, the BRICS actions along its existence, the medium and long-term objectives of the group and the example of South Africa's joining the alliance, Argentina might be supposed to become the new BRICS member by 2020.
- 2. **BRIMCS:** According to some forecasts, BRICS will continue to expand and to increase membership by joining Mexico (it has been spoken from the beginning of the creation of BRIC about a BRIMCS potential), Indonesia, Egypt, Jamaica, Nigeria and Turkey to the group, the latter being a country that tries to integrate into all strategic groups and alliances that can guarantee high security (Shapenco, Nureyev, Korovkin & Ontoev, 2014).
- 3. The Alliance of Emerging Countries (AEC) / BRICS+ / BRICS Plus Aliance: The intention of BRICS about expanding horizontally in its near future it is also evident from the BRICS actions and statements at the China Summit in 2017, when it was started The BRICS Plus Initiative (www.dirco.gov.za, 10th BRICS Summit). The initiative was presented at the summit and to the mass media as a "Dialogue with Emerging Markets and Developing Countries" and it represented the expressions of paragraphs 6 and 7 of the Sanya Declaration, where the leaders of the BRICS members, have expressed their intention to: "enhance the voice of emerging and developing countries in international affairs globally and strengthen cooperation for joint development" (http://en.kremlin.ru/supplement/907, Sanya Declaration).

At the 10th Summit to be held in Johannesburg, South Africa, through *The BRICS Plus Initiative* there were invited as guests the representatives of the following emerging countries:

- Argentina, as the Chairman of the G-20 Summit hold this year and as an influential member of the Southern Common Market (MERCOSUR);
- Indonesia, as the Chairman of the New Asia-Africa Partnership with South Africa and as an influential member of the Association of Southeast Asian Nations (ASEAN);
- Egypt, as the Chairman of the 77 + China Group;
- Jamaica, as the next Chairman of the Caribbean Community (CARICOM);
- Turkey the Chairman of the Organization for Islamic Cooperation (OIC);
- The Secretary-General of The United Nations.

As a result, it is easy to predict a new scenario of the horizontally development of BRICS. Thus, BRICS could become one of the most influential alliances in the global market by 2025, in addition to the four founding states and South Africa, including countries such as Argentina, Jamaica, Indonesia, Egypt and Turkey. As a model for the successful management of any cultural issues which could intervene in this new possible alliance, Russia could chair them due to its rich history and experience on multiculturalism.

Another scenario implies that countries such as Colombia, Indonesia, Vietnam, Egypt and Turkey will join the BRICS. Unfortunately, from a political, social and security point of view, this scenario could be compared to a "bomb" of poverty, revolutions, rebellions and social problems, all of these countries having internal political and social problems. (www.dirco.gov.za, 10th BRICS Summit).

Also, if this scenario is confirmed, BRICS would find it difficult to achieve its peace and security goals around the world by eliminating terrorism and reducing drug trafficking. But, at the same time, this alliance could lay the foundations for a global discussion and action platform in these social areas.

Scenarios on the upcoming vertical evolutions of the BRICS group

Following the analysis of the current BRICS situation, of its evolution on the world market, the factors influencing international relations, as well as the objectives and actions already undertaken and proposed, I could assume the future evolution of the BRICS group in terms of another five possible scenarios, which is as follows:

- **A.** BRICS a modern mechanism for international integration and cooperation between states, without affecting the sovereignty or prosperity of any member country; on the contrary, one that opts for the prosperity of each state within the union ("The BRICS Phenomenon", "The BRICS Mechanism"). The BRICS Group will maintain its status of "quasi-organization" and "club of emerging countries", which meet annually to discuss the agenda of other countries or supranational alliances.
- **B.** BRICS will increase its own ability to influence the Global Agenda through its soft resources and agents, by using policy integration tools such as increasing membership through coercion, building political alliances, the attractiveness of its members' culture, their education systems and thanks to the investment and business opportunities.
- **C.** The BRICS group will represent a step forward for a positive economic growth and for the deepening of trade relations between its member countries by enhancing their economic integration and by building a fully-fledged economic union, both horizontally and vertically. Due to the growing economic power of the group, this union will be able to find answers to the challenges faced by emerging member countries.
- **D.** BRICS will not only pursue economic integration, but also political and financial ones. Economic integration, if it were to grow to a certain level, will allow members to enjoy sufficient global competitiveness and to face the actual humanity's problems.

5. Conclusions

The role of Brazil, Russia, India, China and South Africa (BRICS) as actual protagonists in the international development of the cooperation process is changing significantly and rapidly. Over the past decade, the BRICS countries have increased their financial and technical assistance and they have established separate ways and means of economic cooperation, especially through South-

South cooperation with low-income countries for gaining greater political influence at the international level.

Also, there are currently some advantageous conditions for deepening the cooperation between the five member states of the actual BRICS in the most diverse areas. Representing an efficient mechanism without a rigid structure, the BRICS platform allows discussion and analysis of the intra-BRICS issues, despite significant cultural and economic differences and even though the fact that each country has its own political agenda. Thus, it is also necessary to take seriously a possible vertical evolution of the group, by intensifying their economic integration and building a fully developed economic union.

In conclusion, the weight of the BRICS in the global economy is very important. The alliance of this five emerging states could prove to be a successful one, with a prosperous future. This success has a significant role to play in both the further development of the five member countries and for the world economy in general too, due to the growing influence it exerts in the region, and in the rest of the world. This is given especially to the model it provides for other emerging and for the less developed countries.

However, in order to achieve these performances, developing countries (especially the BRICS one) need to continue now to liberalize their external trade relations, both at regional and global level. There is a need to continue to invest in social sectors such as education, R&D, tourism or health. And last but not the least, they should review some policies on their political relations externally.

As future research directions we could take into consideration a deepening study of the vertical BRICS integration and the role of the membership of each of the five member countries on the global economic system. The BRICS group is a phenomenom that needs to be researched more indepth; it is an important part of the world's financial future market and of the international political and economic systems.

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About the Similarities and Common Roots of Two Consecutive Financial Crises

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Abstract

During the process of identifying the causes of the crises emerging in economy we often come across simplified theories, that emphasize only one factor: whether it is the lack of integrity (unethical attitude), committing (accounting) irregularities, principal-agent problems, trust crisis, financial liberalization, the intensification of speculation, imbalance between personal interest and public interest, inappropriate incentive systems, short term orientation or similar issues. As a result of the complexity of our financial world, the occasionally occurring crises cannot be traced back to only one underlying cause; they are rather the indication of a systemic malfunction. This short summery study has the aim of presenting a systemic, multi-factor approach to the root causes of two financial crises emerging in the first decade of the 21st century, the so-called "Enron" phenomenon and the "credit market bubble", also searching for the common roots of the two crises.

Key words: financial crisis, short-term orientation, integrity, systemic deficiencies, enronization **J.E.L. classification:** G01, G10, G12

1. Introduction

In less than one and a half decades between the end of the 20th century and the beginning of the 21st century three crises have shaken the financial economy of the world. Among these the second one emerged at the beginning of the 2000's, and became known as the Enron-phenomenon, a financial crisis that later crushed and buried four thousand American corporations, having been generated by the demand of a forced maintenance of the technological share valuation bubble that appeared at the American capital market in the second half of the 90's. This phenomenon manifested in massive scale accounting fraud, since in a short time after the bursting of the stock market bubble, they started correcting subsequently the balance sheets of thousands of companies because of accounting irregularities, and even fraud. Back then few people had realized that the former bursting of the stock market bubble and the accounting scandals might have had common roots. The world gained full conviction in this matter only after the devastation beyond all imagination that was caused by the 2007-2009 credit market bubble. The irrational overflow that occurred in just over a decade in the operation of the American capital market has brought a new perspective on the accounting scandals of the beginning of the current decade. This present study outlines the common roots, characteristics of these crises. The common root might have been the distortion of the interest correlations of the stock market.

2. Theoretical background

2.1. The financial crisis of the beginning of the 2000's (Enron-phenomenon)

In the beginning of the 21st century a mass corporate collapse results in a more significant loss of corporate and social values, than the amount of the profit-source that the stakeholders could get access to during the inflation of the bubble (the artificially pumped earnings of Enron have insured for a while a constant increase of share prices, allowing the corporate managers to make

considerable profit from selling the shares of their company). In the end the costs of the great collapse were paid off by the shareholders and employees of the corporation. When the \$70 billion market capitalization of the company measured at the top was practically reduced to zero the employees of Enron lost their savings, retirement funds and their jobs as well (Brenner, 2002). Formal and informal pressure put on companies in order to achieve aggressive profit targets shows a clear picture of how compiling false financial statements has become a forced necessity: in the sequence of events leading up to fraudulence the accounting system functions as a device, an instrument. The accounting irregularities stem from and grow out of a certain form of corporate environment that is characterized by the following key elements: pressure generated by setting aggressive profit targets and the recognition that these strict profit targets must be accomplished at any cost (Young, 2002). No matter what form the accounting fraud takes, how concrete it is, whether it is "earnings management", "cherry picking" etc. (Denis, 2003), (Mulford and Comiskey, 2002) known as creative accounting, or applying SPE-s that help managers establish numerous offbalance-sheet subsidiary companies (this is where they hide the accumulated mountain of debt and this way they pump up the earnings of the parent company) (Litan, 2002), basically it endeavors to prove that the corporation has a more favorable economic situation, financial position, earnings performance, capital market attractiveness, capacity for development than in reality. The underlying cause – in almost every situation – is the pressure to comply with the unrealistically high profit expectations. The basis for the existence of joint stock companies and the stock market is the belief that the financial statements emitted by a corporate management are reliable, trustworthy (Kane, 2004). As soon as the suspicion arises that the financial statements do not have an objective content, and thus cannot provide useful and relevant information, the confidence of the stock market players might be shaken (Unerman and O'Dwyer, 2004).

The example of the corporations that collapsed as a result of false financial statements proved that *corporate governance* as a system serves the interests of the managers operating the capital. As the practice of rewarding managers based on the increase of the values of share capital has become widespread, the capital operating managers have consciously undertaken the deception of the owner-investors by presenting distorted statements about corporate performance (Collins, 2001). The operational efficiency of the corporate governance system is definitely reduced by the fact that every official in corporate performance measurement is employed by the managers and fulfills their assignments. The fact that managers could continue making financial reports based on false data, even if this meant risking the collapse of the company, allowed the circumvention of information asymmetry as an ability. The interests of the so called "gatekeeper" establishments, institutions and regulators were closely linked with the interests of the managers and not the interests of the owners, which can be considered an imbalance with a serious effect. Instead of a strict compliance with the incompatibility rules, "coordinated independence", "the intimacy of board meetings" and "intelligent gambling" has become a widespread practice (Zandstra, 2002).

2.2. The financial crisis of 2007-2009

According to Allen et al. (2009) the starting point of the crisis should be identified as the fact that after the bursting of the technological share-bubble, the US Federal Reserve and the central bank have decided upon a low interest rate, which - combined with the booming demand of the Asian banks - resulted in a fast increase of real estate prices. The bubble reached its climax in 2006, and subsequently real estate prices started plunging in the United States and in other countries as well. Many believed that the crisis emerged as a result of the collapse of the residential property system, and called this market crash a secondary market crisis. According to Gorton and Metrick (2011) secondary mortgage – by virtue of its proportions – is not a sufficient trigger for the occurrence of crisis. Mishkin and Eakins (2012) come up with a persuasive explanation regarding the deeper issues around mortgage-based securitization, also emphasizing what an important role the agent problem played in the deepening of the crisis. Bernanke (2008) links the increase of ethical risk and adverse selection with the increasing complexity of structured goods, as a consequence of the strengthening of information asymmetry. According to Bresser-Pereira (2010) the triggers of the great crisis should be searched for in the previous years, when the financial transactions of securitization had become deeply integrated into the international financial system, and financial innovations and speculations rendered the financial system rather hazardous. Trichet

(2008) concludes that the occurrence of the financial crisis traces back to incorrect risk assessment.

Some have considered the decisive cause to be: channeling the *excess liquidity* of upcoming markets towards safe instruments (Global Risk, 2011, p. 6), namely the attempt to terminate *global imbalance*; another observer considered the root to be the globalization of resource mobilization and the increase of complexity in the financial instruments. Secondary markets cannot be the determining cause of the crisis, since they are just a small slice of the fixed-income markets. Another speaker of the Global Risk roundtable states that the range of low quality products traded at financial markets is a lot wider.

Regarding the fact that commercial banks have extended their activity to the territory of investments banks, Stockhammer (2004, p. 726) writes that commercials banks have enlisted themselves in the swirling whirlpool of speculations. Many mention the appearance of the shadow banking system (as a result of the deregulated financial market), related to which Gowan (2009, p. 13) points out that the regulated bank system - functioning as financial intermediary and primary broker – has charged the shadow banking system with huge fees and intermediary costs. The most important development of this choice was that these transactions were predominantly completed outside the stock market (over-the-counter), at credit derivative markets in the form of collateralized debt obligations (CDO). Mishkin and Eakins (2012) warn about the incompatibility of credit-rating agencies, with the argument that they were the ones who counseled their clients regarding the structuring of the complex financial instruments; while at the same time they were the ones who rated these products. This way the huge fees they obtained from their clients through the counseling services, created disincentives that were contrary to ensuring the accuracy of their ratings.

Emphasizing the *moral* causes of the crisis, Bresser-Pereira (2010, p. 20) claims that repackaging risky loans as depository receipts became a qualified case of *ethical risk*. Trichet (2008) talks about the fast and devastating transmission of "fear" as a result of a general loss of trust and the great number of correlations between financial institutes.

At the Global Risk (2011, p. 15) roundtable conference, regarding the over-the-counter derivatives markets, Morgan emphasizes the complexity of the relationship between private and public actors. In the opinion of Mishkin and Eakins (2012) the seeds of a financial crisis are sown when countries become committed to financial liberalization, the liquidation of the barriers of financial markets and institutes, or the introduction of new types of credit and other financial products.

3. Methodology

During the investigation and comparison of the characteristics and roots of the studied crises, we have based the description of the systemic malfunctions on principles like asymmetric information, the principal-agent relationship, ethical risk, the conflict of interest, the stakeholders, the capital market bubble, irrational overflow at the stock market, the incentives, short term orientation, fundamental instability and innovation, securitization, as well as trust and ethics. The principles and theories mentioned above create a framework, within which not only the elements of separate accounting and financial issues can be planted and effectively analyzed, but the whole of the system as well. In the framework presented above we have relied on academic resources, corporate analyses and definitely secondary data and information.

4. Findings

4.1. Simplified, one-sided explanations versus systemic approach regarding the financial crisis of the beginning of the 2000's (Enron-phenomenon)

As an attempt to identify and explain the causes of the events, a large number of theories emerged in the past years that investigated different tendencies regarding the causes of the crisis, each specifically emphasizing a given factor. At the unraveling of the analyzed corporate crisisseries, many have considered *accounting irregularities* and *unethical behavior* to be the main root, and their search for a way out was also channeled in this direction by introducing more rigorous regulations and legal restrictions. After a short time however many have realized that a single

factor explanation is untenable, since the issue is not merely the accounting irregularity, but also the manifestation of the malfunction of the stock market system. False corporate financial statements are much rather the result of the distortion of the corporate environment and the operation of the stock market, than just the result of individual or organizational abuse within a corporation. It was necessary to recognize that in the controlling and rewarding system of the corporate performance measurement there are certain distortions that can occur and these cannot be traced back to only one factor: the effect of unethical actions. We cannot understand the motivations behind making false financial statements based on distortions if we do not investigate the interests and actions of stock analysts, auditors and credit rating agencies.

As a result of a research that was fundamentally based on American financial-economical experiences (Szász, 2011) we can conclude that the following factors have played a crucial part in the emergence of false corporate financial statements:

- the accounting fraudulence of corporate performance reporting;
- the trust-ethical factor;
- the inner deficiencies of the corporate governance system;
- the deficiencies of self-correction in the stock market.

The Enron-phenomenon and all its different forms have been readily considered both by professional and public opinion as an example of isolated ethical violation, as the deformation of the ethical intactness of the managers. Corporate accounting fraud as a sign of unethical behavior is undeniably a significant factor, yet it cannot be accepted as a universal explanation to fraudulence. In many cases it is evident that corporate decision makers with intact ethical integrity start committing fraudulent actions under organizational pressure. Unethical behavior in corporate management resulted in an excessive decrease in investors' trust; and the ones who suffer the most damage because of the deficient application of the trust-ethical principle, are the owner-investors. Every single instance of accounting fraudulence demonstrates that the interests and aims of the owner as principal get into conflict with the aspirations of the manager operating the capital as agent. The information asymmetry present on all sides between the parties only adds to this conflict. To mention only one example related to this: when the reward of the managers who operate the capital is connected to the fluctuation of share prices, then apparently the capital operator and the owner have common interests. Based on the principle of *trust* the owner has every right to think that higher share prices reflect higher fundamental values; and this serves the long term interests of the owners. The capital operating managers do not honor the investors' trust whenever they adopt explicit or even less substantial forms of accounting fraudulence; moreover they put at risk the demands of every single stakeholder.

The principal-agent theory, the stakeholder principle and the unduly high amount of ethical risk had an especially huge role in the fact that the lack of efficiency in the *corporate governance system* of certain corporations has affected negatively the long term interests of the owners. If corporate governance mechanisms are surrounded by numerous conflicts of interest, then neither the board of directors, nor the inner audit committee or the rewarding department can control effectively the activity of the managers. No effective barrier can be set up for the prevention of accounting fraudulence without strengthening every element of the corporate governance system.

If managers present false balance sheets, lie and disclose misleading information, then they are aware of the overvaluation of their shares. The phenomena of false financial statements have created a stock market overvaluation that cannot be solved by a simple transformation of the rewarding and incentive system of officials; moreover it is obvious that introducing more restrictive regulations will not be enough on their own to offer protection from the harmful consequences of chronic overvaluation and from practicing irrational investor behavior. The financial crises emerging in the world, the appearance of new and even bigger bubbles indicate that there is a chronic tendency in the capital market to separate the price of securities from the fundamental values. In this situation it is doubtful whether the market's self-cleaning capacity would be sufficient for the liquidation of systemic malfunctions. In order to terminate the misinformation of investors, the confusion around the role of managers, analysts, investment advisors and auditors should come to an end, while distortions in their interests should also cease.

Introducing stricter accounting standards, encouraging regulations, retaining ethical intactness and an effective operation of the corporate governance system can hardly bring a solution on its own. Correct accounting statements, an institutional system of regulations exercising its function consistently, the unquestionable ethical integrity of all parties, a corporate governance that completely represents the interests of the owners and a market that always values corporate performance correctly – all these together can provide a way out from this crisis of performance measurement that has already become chronic.

4.2. Simplified, one-sided explanations versus systemic approach regarding the financial crisis of 2007-2009

Similarly to the previous crises, the most widespread explanations following this financial crisis were also simplified, and the sited causes are excessive credit growth, the bubble-like boom in asset prices and the irrationally exuberant behaviour of market players.

In the public opinion, regarding financial crisis, the role of liberalization has gained a lot greater emphasis than necessary. Though on a longer term financial liberalization facilitates financial development and stimulates the operation of the financial system in favor of an effective allocation of resources, however it has its disadvantageous sides as well (it may encourage exaggerated lending policy with continually softening conditions; it may bring about adjustment problems between the instruments and the resources; it may stimulate the increase of financial leverage beyond any limits; it may lead to neglecting a careful risk assessment; it may increase the problems triggered by asymmetrical information and ethical risk; it may distort the principle of "greater earnings only with the condition of increased risk-taking", exchanging it with the false promise of "greater earnings in return of lower risk"). On this basis there is little doubt that the basic root of the financial crisis is the infringement of several fundamental laws of financial economics.

The causes, characteristics mentioned above confirm the view that the correctness of the monocausal explanations of the financial crisis is questionable, and the occasional intensification of the tendency to crisis has deeper roots. Bélyácz and Szász (2014) mention and analyze the following possible causes:

- financial liberalization
- deregulation
- the great role played by markets outside the stock market
- adjustment problems between instruments and resources
- excessive application of financial leverage
- securitization
- the expansion of the shadow banking system
- the role of excess liquidity
- lack of careful risk assessment
- the occurrence of ethical risk
- the falsity of the "greater earnings in return of lower risk" principle
- the misleading ranking of rating agencies or
- the lack of liquid reserves

The phenomena mentioned above give evidence of the fragility of the financial system. The enumerated factors contribute – to varying degrees - to the emergence and persistence of instability in the financial system. All of the factors listed here express some kind of imbalance, malfunction and instability in their own way. The visible and invisible correlations between the factors cumulate into a financial systemic malfunction, thus isolated battle against individual factors may also become ineffective.

5. Conclusions

It is noticeable in the case of both crises that a simplified, one-sided explanation is not acceptable; the occurrence of the crisis had deeper roots. Many factors have contributed - to varying degrees - to the emergence of the crisis, cumulating through time into a systemic malfunction. At the same time, we can also mention such "adopted, well-established" common

elements and factors like asymmetrical information, conflicts of interest, short term orientation, lack of integrity, evading rules, the harmful effects of liberalization, inadequate incentive systems etc.; the intensification and correlation of these can trigger a crisis anytime. Even the battle against these will only be fruitful if it is not an isolated attempt, but aims at a systemic, collective correction of the factors.

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Chinese Economic Pragmatism: The Belt and Road Initiative

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Abstract

In recent years, China superseded Japan as the world's second-largest economy and Germany as the world's biggest exporter of merchandise. As its economic expansion is continuing, China makes efforts to identify and exploit new sources of growth and development. In this respect, China has launched and promoted its Belt and Road Initiative since 2013. The goals of the paper are to briefly describe the Belt and Road Initiative and to illustrate the Chinese economic pragmatism in this case. The authors achieved the objectives of the paper by using a quantitative method. The information was gathered through a comprehensive literature review from various sources of secondary data. The paper demonstrates the Chinese economic pragmatism in launching, developing and supporting the Belt and Road Initiative.

Key words: Belt and Road Initiative, China, Silk Road, economic corridor, economic pragmatism **J.E.L. classification:** F00

1. Introduction

The past decades have witnessed China's impressive economic development. At the end of the 1970s, China was a low-income country after a painful period of famine in the 1950s and of the Cultural Revolution starting from the 1960s (Zhu, 2012). Since the introduction of the free market reforms and the opening to foreign trade in 1979 under the so-called 'open door' policy, the pace of China's economic transformation has been among the fastest in the world (e.g., China's gross domestic product (GDP) in 2009 was 18.6 times that of 1978) and turned China into the second economic superpower of the world and a global giant (Paus *et al*, 2009; Angang *et al*, 2011; Morrison, 2013; Studwell, 2013; Raschen, 2017). By adopting pragmatic and gradual economic reforms China superseded Japan as the world's second-largest economy and Germany as the world's biggest exporter of merchandise (Lin, 2013). In fact, three phases of reforms have been distinguished in China as follows: market-seeking reforms (1978-1993), market building reforms (1993-2003), and market-enhancing reforms (from 2003 onwards) (Hofman, 2018).

According to the 13th Five-Year Plan, the development of a socialist market economy has remained a top priority for the period 2016-2020 (Central Committee of the Communist Party of China, 2016). In this regard, both roles of the market (e.g., resource allocation) and of the government (e.g., ensuring fair competition) are important in order to strengthen the Chinese socialist market economic system (Tanaka, 2015). The gradual replacement of a centrally-planned with a predominant market-based economy within its specific economic model of 'Socialism with Chinese characteristics' and the achievement of an average economic growth of approximately 10 percent yearly (World Bank, 2018) led China to obtain an enormous \$23,160 bn GDP measured at the purchasing power parity in 2017 (Central Intelligence Agency, 2018).

As the Chinese economic expansion is continuing, the Red Dragon (Borbón, 2016) makes efforts to identify and exploit new sources of growth and development. In this sense, China has launched and promoted its Belt and Road Initiative (BRI) since 2013. China strives for building a modern and prosperous New Silk Road in the 21st century in order to strengthen regional economic cooperation and integration, and to stimulate economic growth (Hu *et al*, 2017). In recent years

much attention has been devoted to understand and assess the impact of the BRI both in China and worldwide (Ernst and Young, 2018).

The objectives of the paper are to briefly describe the BRI and to illustrate the Chinese economic pragmatism in the case of this spectacular initiative. The remaining sections of the paper are organized as follows: Section 2 presents the literature review. Section 3 displays the research methodology. Section 4 provides a discussion of the findings. Paper ends with conclusions.

2. Theoretical background

The key concept of the paper is the BRI. Since the Chinese President Xi Jinping has announced with great fanfare the launching of the BRI in 2013 a torrent of papers and books about this initiative have been published. Opened up by the Chinese General Zhang Qian in the second century BC, the Old Silk Road represented a huge network of land and maritime trade and communication paths linking the Far East with Europe (UNESCO, 2008). In its beginning the Silk Road connected Han China with imperial Rome and flourished from roughly 100 BC to around 1450 (Andrea, 2014). The merchandise produced and traded along the route included mainly silk, woolen and cotton textiles, carpets, draperies, tapestries, tea, and porcelain (Nolan, 2017). Under the rule of Han dynasty, silk became not only a luxury product but also an international currency (Frankopan, 2015).

There are two main components of the New Silk Road (the BRI): the Silk Road Economic Belt and the Maritime Silk Road Initiative (Figure 1). The Belt refers to the building of trade and industrial corridors, energy infrastructure and transport routes across the Eurasian continent in order to better connect China to Europe while the Road relates to the maritime Silk Road and, therefore, to the creation and development of a multitude of trade routes, starting from the South China Sea through the Indian Ocean, Red Sea, and Suez Canal, to the Mediterranean Sea, in order to better connect the Red Dragon to Africa, Middle East and Europe (Balaam *et al*, 2017; Miller, 2017).

The problem of funding the BRI imposed China the setting up of a \$40 billion Silk Road Fund (SRF) and of a \$50 billion Asian Infrastructure Investment Bank (Blanchard *et al*, 2017). Also, other financial institutions such as the State Administrative of Foreign Exchange, China Development Bank and Export-Import Bank of China have started to pour money into the numerous and vast projects of the BRI.



Source: (Tian, 2014)

The Old and the New Silk Road represent two historical connected projects created, implemented and developed by China in different periods of time of its millennial existence.

3. Methodology

The authors achieved the objectives of the paper by using a quantitative method. The information was gathered through a comprehensive literature review from various sources of secondary data, such as articles, books, and reports, from the domains of economics, geopolitics, public policy, international relations, and history. The research was carried on mostly in the Romanian libraries where several electronic databases (e.g., Springer, Sage, Emerald Insight) were located and consulted.

4. Findings

As a gigantic transcontinental development project, the BRI has focused initially on energy and infrastructure. Later, it has expanded to manufacturing, communication, trade and tourism. There are 65 countries around the world that are going to participate in this project (Table 1).

Table no. 1. The countries included within the BRI

Region	Country
East Asia	China, Mongolia
Southeast Asia	Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar,
	Philippines, Singapore, Thailand, Timor-Leste, Vietnam
Central Asia	Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan
Middle East and North Africa	Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon,
	Oman, Qatar, Saudi Arabia, Palestine, Syria, United Arab
	Emirates, Yemen
South Asia	Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal,
	Pakistan, Sri Lanka
Europe	Albania, Armenia, Azerbaijan, Belarus, Bosnia and
	Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia,
	Georgia, Hungary, Latvia, Lithuania, Macedonia, Moldova,
	Montenegro, Poland, Romania, Russia, Serbia, Slovakia,
	Slovenia, Turkey, Ukraine

Source: (Lehman Brown, 2017)

The BRI involves more than 4 billion people from three continents and a cumulative GDP of around US\$ 21 trillion (Lu *et al*, 2018). There are five main goals of the BRI as follows: policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bonds (Vonck, 2018). The Chinese initiative relates to the building and expanding of the following six international corridors:

- The New Eurasia Land Bridge (NELB). It connects through international railways the Chinese towns of Lianyungang and Rizhao with Rotterdam.
- The China-Mongolia-Russia Economic Corridor (CMREC). The three countries agreed to strengthen their railway and highway connectivity, and promote cross-national cooperation.
- The China-Central Asia-West Asia Economic Corridor (CCWAEC). It follows the path of the Old Silk Road and crosses more than twenty countries from Central and West Asia.
- The China-Indochina Peninsular Economic Corridor (CICPEC). It is designed to boost China's relationships with the ASEAN countries such as Vietnam or Laos.
- The China-Pakistan Economic Corridor (CPEC). It starts from Kashgar (China) and ends at Gwadar port (Pakistan), and comprises highways, railways, optical cables and pipelines.
- The Bangladesh-China-India-Myanmar Economic Corridor (BCIMEC). It aims to connect the huge Chinese and Indian markets.

The BRI reflects in a high degree the traditional Chinese pragmatism. This assertion is supported by several main elements such as:

- The BRI provides China the opportunity to expand its economic tentacles and strengthen its relationships (e.g., economic, political, financial) with other countries along the road. Also, it typifies the realistic answer of China to the challenges raised by the global economic environment.
- By becoming much stronger from an economic point of view, China could dominate the East in much the way the American colossus dominates the West. The BRI helps China to gain higher influence not only in the Asia-Pacific region but worldwide, and exemplifies President Xi Jinping's strategic objective of making China great again and a true leader on the international stage.
- The way China is investing its huge financial resources into the BRI shows a strong will to build new and wide economic corridors not only in the surrounding countries but also in far away countries. By expanding its market share at a global level and fueling the external demand China aims to solve its industrial oversupply in an increasing globalized economy.
- The BRI is expected to intensify the cooperation among numerous Chines stakeholders (e.g., public and private companies, state, governmental agencies, banks) as they represent national interests.
- The BRI constitutes an important mean for the Red Dragon to satisfy its voracious demand for various raw materials (e.g., gas, oil, iron ore, copper) as the Chinese economy has grown at a faster pace than many other countries.
- The BRI might be seen as a financial vehicle for increasing the use of the Chinese currency, renminbi, in the commercial transactions all over the world.

In essence, the BRI allows China to restore its previous position as the Asian great power. It highly illustrates the so-called 'going global' strategy promoted under Xi Jinping's successful leadership.

5. Conclusions

The paper contributes to the enrichment of the scientific literature regarding the BRI. Firstly, it explains the historical link between the BRI and the Old Silk Road. Secondly, the paper demonstrates the Chinese economic pragmatism in launching, developing and supporting this initiative. Third, it shows the strong connection between the political and economic levels in China. Further researches might expand this study by taking into account other elements such as technology or foreign policy.

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The Dimensions of Power: A Comparative Analysis of the United States and China

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Abstract

Numerous analyses and predictions discuss upon the power relations in global economy, confirming the decline of American supremacy and its replacement by China, which is consistently growing. The decrease of American economy during the financial crisis started in 2007-2008 and the success of the countries with emerging economy —as China- created the idea that the power could transit from the United States to China. Moreover, various predictions based on recent evolutions; show that American economy was surpassed by the Chinese one. All of these seem to be the 'ingredients' of a much announced American decline against the unexpected growth of China. But what is the real meaning of this decline? Does it refer to the many valences of power or just specific issues? The purpose of this study is to draw a parallel between these two major economic powers -US and China- considering the multitude plans of power.

Key words: economic power, military power, American supremacy, China trade

J.E.L. classification: F50, N40, O50

1. Introduction

In international relations, different historical periods demonstrate the importance and role of the power phenomenon, giving examples of regional or international powers which have encountered growth, but also decline.

Etymologically, according to encyclopedias and dictionaries, power is defined as a feature and as a physical, moral and intellectual possibility of influencing a group of people, by means of authority and coercion or persuasion and voluntary acceptance. (Explanatory Dictionary of Romanian Language, 2009, p. 901) Thus, the concept of power is defined in a broad sphere of manifestation, not being given a precise aim or a framing of this phenomenon on in certain field of society. Because of this characteristic, the idea of power has numerous definitions and interpretations given by the approaches of specialists from different fields.

From a geopolitical point of view, power is the way in which society effectively guarantees its survival (Nivaldo, 2001, p. 24), this definition resembling that of a military perspective, which sees in power the ability to take military action to ensure the security of its own country and its allies, as well as to promote political interests. (Ancut, 2009, p.1)

In the philosophical vision, power is considered a change in the inner state of a person or a group of people (Foucault, 2005), while from a sociological perspective the phenomenon of power is analyzed within social relations as the means of imposing one's will despite the oppositions encountered. (Zamfir *et al*, 1998, p. 478)

From a politological perspective, Raymond Aron believes that power is defined as the ability of a nation to influence the will of individuals or other states (Trocan, 2003, p.1), while historian Robert Dahl considers it as an asymmetric connection between two actors, in which the first one exercises an influence upon the second one in order to do an action, action which normally would not have been done without the stimulus from the first one. (Stuparu, 2012, p. 93)

A synthesized definition of power is found at Gerard Kebabdjian, who sees in power the capacity of a political or economic actor to influence significantly the world economy, developing this ability on five levels: physical (through the existing natural resources), economical, military, political and cultural, among which the most important aspect is the economical one. (Kebabdjian, 1994, p. 297)

Considering all these, we can affirm that power plays a key role, both in social relations, as well in the international ones, the phenomenon highly being met in the structures of society. Therefore, power could be represented by a state, an economic, political or social entity, which uses its own moral, physical, military, cultural and/or technological methods in order to extend its influential sphere upon the behavior of other entities.

Although it was interdisciplinary analyzed, we can say that the phenomenon of power manifests itself most strongly in international relations, where economic power is predominant in terms of importance, being the decisive element for the development of other types of powers. The structures of power have suffered different mutations, during the historical evolutions of the economic and political conditions at the international level. Specific for the end of the 20th century and the beginning of the 21stcentury is the transition of power between different power structures, when the dynamics of the international economy and the process of reconfiguration led to the proclamation of various theories and concepts, from which the specialty literature retains the debates concerning concepts like multipolarity, bipolarity, unipolarity and nonpolarity.

2. Literature review

Theoretical literature referring the phenomenon of power has separately developed than the empirical one, which was mostly concerned about methods of power quantification. As a result of that, there was created a gap between empirical studies and theoretical research.

Empirical studies use statistical techniques, with differences in the process of selecting and calculating the indicators. The first studies on the phenomenon of economic power were focused on the analysis of the degree of scheduling the external loans under the influence of amortization, external debt, imports and government reserves (Charles Frank *et al*, 1971, pp. 327-344), and under the influence of capital inflows, exports, external debt and imports (Pierre Dhonte, 1975). At the same time, they have pursued the state's dependence on foreign borrowing assessed through the size of GDP, state reserves, exports, imports, external debt size and its reimbursement. (Earl Grinols *et al*, 1976, pp. 416-424)

Later on, a quantification of national power was wanted, by analyzing the influence of population, the military and economic capacities, the strategic objectives and the will of population (Ray S. Cline, 1977), as well as the ways of increasing economic power by means of human resources actions (Robert Barro, 1991, pp. 407-443). On the other hand, economic growth rates are negatively influenced by inflation and interest rates and the level of taxes (Robert Lensink *et al*, 2000, pp. 142-163), and investment attractiveness decreases through the negative action of political instability. (Robert Barro, 1999, pp. 119-137)

The empirical research over the past decades belong to specialized institutions and international organizations including: WIPO (World Intellectual Property Organization), The World Bank, World Economic Forum, INSEAD (The Business School for the World), UNDP (United Nations Development Programme), Cornell University, Heritage Foundation, Wall Street Journal, which analyze the evolution of states using composite indicators like: HDI (Human Development Index), GCI (Global Competitiveness Index), Corruption Perceptions Index, GII (Global Innovation Index), Index of Economic Freedom and WGBI (World Government Bond Index).

Theoretical literature has followed the historical evolution of the power structures. Before the two World Wars there have been different power tendencies, characterized by the ascension of some colonial or regional powers, the world economy having only some traces of a multipolar system. Instead, the end of the Second World War accurately marked the existence of a bipolar power structure that appeared relatively balanced between the United States and the Soviet Union and which was characterized by a conflict of power at the economic, technological, politic, military and ideological levels, which had in the middle the purpose of regaining the power status by the Western European countries, Japan and China. The disintegration of the Soviet Union from internal

causes led to the transition from a bipolar structure to a unipolar world, in which the United States assumed the prerogatives of the only international superpower. The American supremacy was seen from the perspective of domination in all the fundamental components of power, which the United States could use in order to promote its global interests and to unilateral decide upon the international problems. (Brzezinski, 2000, p.231)

It has been assumed (Huntington, 1999, pp. 35-36) that the unipolar system is characterized by the manifestation of power within a structure which is composed of a superpower (the United States) and several regional powers (Germany, France, Russia, China, Japan, India, Brazil, South Africa and Nigeria), their joint actions being necessary in order to solve international problems.

On the one hand, the American supremacy was considered to be a conjunctural and temporary situation, basing on the fact that the United States – Russian Federation binominal power will recover (Achcar, 2002, p. 14). On the other hand, the possibility of a tripolarized power between the United States, the European Union and Japan has been considered (Hirst *et al*, 2000), but only economically (the US-EU-Japan trade triad) and technologically, because the American supremacy remains present military and culturally. Another alternative would be for the United States, European Union and China to influence by their decisions the international balance of power, but their influence upon world economy would be facilitated or burden by a secondary group of power consisting of Russia, Japan and India. Visions on power structures in the world economy can continue in this direction by adding new poles or rotating power centers between them. Instead, there are also discussions about the idea of nonpolarity as a result of globalization, which has led to the division of power in numerous state and non-state power centers with certain dimensions and influences. (Haass, 2008, pp. 44-56)

A more complex vision designed to reconcile all these perspectives is that according to which, (Nye, 2012, pp. 14-15) economically, the structures of power are multipolar (the United States, European Union, BRICS countries and Japan), but military speaking the power is unipolar and given by the American military supremacy, and transnational policy being shared between non-state actors.

However, we consider that the evolution of power structures is on the historical bipolarity-unipolarity-multipolarity line and the beginning of the 21stcentury presents different models of the power structures, in which states and groups of countries rotate among themselves, hoping to design a system of world economy. Power is divided into fields according to the analyzed dimension, namely economic, financial, social, technological and military, which demonstrates the multipolar character of the international environment. Recent evolutions are the result of the power manifestation of two of the world's biggest economies, the United States and China.

3. Methodology

Table no. 1 Variables grouped by components of power

Power components	Indicator
	GDP (current trillion US\$) - PPP
	GDP per capita (US\$) - PPP
	External trade (trillion US\$)
The economic dimension of power	Exports (BoP, trillion US\$)
	External balance (billion US\$)
	FDI net outflows (billion US\$)
	FDI net inflows (billion US\$)
	Population growth (annual %)
	Labor force, total (million people)
Socio-political aspects	Unemployment, total (% of total labor force)
	Age dependency ratio (% of working-age population)
	Net migration (million people)
	Military expenditure (billion US\$)
The military dimension	Arms exports (billion US\$)
-	Arms trade balance (billion US\$)
	Scientific and technical journal articles
The technological component	High-technology exports (current billion US\$)
	Patent applications, total

Source: author's processing.

This study analyzes the way in which the two major world economies, the United States and China, relate to the phenomenon of power. Numerous analyses and predictions compare the two economies and compete with each other either in presenting the American supremacy or its decline and its replacement by the Chinese domination. Mostly, these analyses and predictions take into consideration only their economical dimension, without taking into account all the valences of power.

This study aims to extend the comparison between the United States and China on multiple levels of power. Therefore, we will use the indicators extracted from the World Bank's statistical base and grouped in 4 classes, meant to reflect the dimensions of power, namely economic, sociopolitical, military and technological. First three groups of indicators are from 2017, while technological component includes indicators from 2016. For each indicator, a binary system has been developed, in which number 1 reflects a high power level and 0 reflects a low power level, following that a score for each group of indicators and then a total score will be calculated. This method is used to facilitate a comparison between the United States and China and also to present more precisely the position of each country among power elements.

4. Analysis and findings

Analysis of the power economic size highlights a better positioning of the United States economy than the Chinese one, as the US obtained 4 scores of 1 out of a total of seven indicators compared to China which obtained 3 scores. Thus, although China had in 2017 a superior GDP than the US one of about 4 trillion US\$ and an economic growth rate of about 7%, compared to the US 2.27% increase, the GDP per capita indicates that US is better positioned than China.

Table no.2 The economic dimension of power for United States and China

	The United States		China	
	Value	Score	Value	Score
GDP (current trillion US\$) - PPP	19.39	0	23.30	1
GDP per capita (US\$) - PPP	59531.66	1	16806.74	0
External trade (trillion US\$)	5.23	1	4.64	0
Exports (BoP, trillion US\$)	2.33	0	2.42	1
External balance (billion US\$)	-568.44	0	210.73	1
FDI net outflows (billion US\$)	379.22	1	101.91	0
FDI net inflows (billion US\$)	354.83	1	168.22	0
TOTAL	4		3	

Source: The World Bank, World Development Indicators, last update 18th October 2018.

From a commercial point of view, US trade volume reached 5.23 trillion US\$, compared with 4.64 trillion US\$ recorded by China. Although these numbers reveal a better trading position for the United States, according to World Bank's data, US exports reached 2.33 trillion US\$ in 2017, being inferior to China with one trillion US\$. At the same time, the higher level of US imports attracts a trade deficit of about 568 billion US\$, while China enjoys a trade surplus of approximately 210 billion US\$. In other words, from a commercial perspective, Chinese superiority is demonstrated by the high number of exports and by the existence of the trade surplus, while the United States can boast only with a larger number of total trades.

But the United States' investment environment is more favorable than China's, both in terms of investment attractiveness as well in foreign direct investment made abroad. In other words, the United States makes three times more investments abroad than China and has twice as good investment attractiveness than China. (The US FDI attracted volume is double than that of the Chinese one.)

From a socio-political perspective in 2017 the United States positioned better than China in three indicators of the five analyzed, namely the population growth rate, unemployment rate and net migration flow. Although unemployment rates are close to each other, yet relating them to the total population they show a higher level for the United States labor market. At the same time, the United States is a more attractive destination for immigrants, while China's socio-political conditions lead to abandoning the country rather than establishing there.

Table no. 3 The socio-political aspects of power for the United States and China

	The United	China		
	Value	Score	Value	Score
Population growth (annual %)	0.71	1	0.6	0
Labor force, total (million people)	163.46	0	786.74	1
Unemployment, total (% of total labor force)	4.36	1	4.67	0
Age dependency ratio (% of working-age population)	52.3	0	39.5	1
Net migration (million people)	4.5	1	-1.62	0
TOTAL	3		2	

Source: The World Bank, World Development Indicators, last update 18th October 2018.

China's social advantages are related to the large number of inhabitants (1.38 billion people, compared to 325.72 million US residents), which ensures a high level of workforce, more than twice as many as the total US population and a low dependence of people under 15 and over 65, than those able to work.

Table no. 4 The military component of power for the United States and China

	The Unite	China		
	Value	Score	Value	Score
Military expenditure (billion US\$)	609.75	1	228.23	0
Arms exports (billion US\$)	12.39	1	1.13	0
Arms trade balance (billion US\$)	11.84	1	0.01	0
TOTAL	3		0	

Source: The World Bank, World Development Indicators, last update 18th October 2018.

As far as the military component of power is concerned, the 2017 values shown in Table 4 clearly demonstrate American supremacy, given that the US military budget is more than twice as high as the Chinese one. This allows exceptional military development, an impressive amount of exports, and a high military trade surplus, being known all the US military investments and the acquisitions made by Nord Atlantic Alliance members from the US market.

On the other hand, from a technological perspective, there is a Chinese supremacy, considering the year 2016, when the number of scientific and technical articles, as well as the number of patents applications were superior to America. At the same time, the amount of Chinese technology exports is more than three times than that of the US.

Table no. 5 The technological component of power for the United States and China

	The Unite	d States	China		
	Value	Score	Value	Score	
Scientific and technical journal articles	408985	0	426165	1	
High-technology exports (current billion US\$)	153.2	0	496	1	
Patent applications, total	605571	0	1338503	1	
TOTAL	0		3		

Source: The World Bank, World Development Indicators, last update 18th October 2018.

5. Conclusions

In the dynamics of international relations, different historical moments demonstrate the role of the power phenomenon in the rise or fall of some regional or international powers. Today, the terminology and components of power are being debated, and the American supremacy or its replacement with a Chinese one is discussed.

This study wanted to provide a comparison model of the United States and China, two major world economies, from the perspective of four dimensions of power, namely economic, sociopolitical, military and technological. For this, World Bank indicators for 2016 and 2017 were used compared in a binary system.

From an economic, socio-political and military perspective, we can see a superior position for the United States, with advantages in: GDP per capita, FDI net inflows and outflows, external trade, annual population growth, unemployment, net migration, military expenditure and arms trade. On the other hand, China has advantages in age dependency ratio, labor force, GDP, exports,

external balance, high-technology exports, patent applications and scientific and technical journal articles.

In addition, out of the total of 18 indicators analyzed, the United States is better positioned in 10 of them, with a clear supremacy in terms of the military component of power. China, on the other hand, is better positioned in 8 indicators with supremacy of the technological dimension, given by high technology exports, patents applications and scientific and technical journal articles.

However, it is necessary to note that, despite the economic, socio-political and technological difficulties, the United States remains much more developed than China. Although China is behind them, preparing to replace them, American influence at the international level continues to be higher and to act on multiple levels. However, within the international system which is in a continuous competition and transformation, the gaps between the two could be substantially reduced under the conditions of strong propulsion of China, correlated with the inadvertence of the United States.

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Section II

Regional Development, Integration and Globalization

Dynamics of the Profit Rate of Companies Grouped by Activity Fields in Constanta

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Abstract

The purpose of this paper is to analyze the business environment in Constanta per main fields of activity, by means of a synthetic indicator assessing the economic and financial performance, i.e. the profit rate. The analysis was carried out from a dynamic perspective, for two consecutive years, i.e. 2016 and 2017; the economic phenomena and processes were dealt with having in view their mutual movement and conditioning, thus revealing the position they hold and the changes that occurred at different moments of their evolution. The results shown in this paper support the strategy for increasing economic and financial performance by adopting policies adapted to the new challenges and uncertainties of the economic and social reality.

Key words: profit rate, gross profit, turnover, activity fields **J.E.L. classification**: C10, C40, E240, M10, M20, M21, O11, O12

1. Introduction

Financial statements are official documents drawn up at the end of the financial year and are referred to as annual financial statements. They are drawn up in a clear and consistent manner with the provisions of Order no. 1802/2014 and provide a true and fair view of the assets, debts, financial situation and profit or loss of the entity. They represent the endpoint in the production of information about the financial situation of the enterprise. The drawing up of the annual financial statements and their submission is mandatory (required by the legal provisions in force) and at the same time they are needed by different users in the decision-making process.

The aim of this paper is to analyze the business environment in Constanta per main fields of activity, by means of a synthetic indicator assessing the economic and financial performance, i.e. the profit rate. The analysis was carried out from a dynamic perspective, for two consecutive years, i.e. 2016 and 2017.

2. Theoretical background

However, annual financial statements do not provide all the information that users need in order to make economic decisions, as they largely reveal the financial effects of past events and do not usually provide non-financial information. In addition, the components of annual financial statements are correlated because they reflect different aspects of the same transactions or other events. Although each situation provides different information, it is likely that none will serve only one purpose or provide all the information required by the users' significant needs. By calculating economic and financial indicators, we acquire knowledge of their evolution; moreover, by comparing them with the previous financial years, the entity management is provided with the possibility to carry out economic and financial analyzes, influencing the decision-making process. In addition, knowledge of the level of economic and financial indicators allows comparisons with other entities in similar indigenous or international activity sectors. In this context, starting from two relevant financial indicators, i.e. gross profit and turnover, this study performs a comparative analysis of the evolution of the gross profit rate in the main activity fields of the companies in Constanta municipality.

3. Research Method

The initial database, which consisted of information gathered from 26,978 companies in 2016 and from 28,292 companies in 2017, was refined, excluding the companies that reported zero turnover and zero number of employees (www.mfinanate.ro). Thus, 11,186 for 2016 and 11,945 for 2017 remained in the study.

The systematization of information and the calculation of statistical indicators were carried out by the SPSS software (Field, 2009). The quantitative research was carried out by using the system of absolute, relative and average indicators of chronological series (Aivaz, 2007).

4. Data, results and discussion

The starting point of the study was represented by the statistical description of the gross profit and turnover, having in view the following statistical indicators: average level (mean), number of companies (N), the cumulative value of financial indicators (Sum), the lowest value of the analyzed financial indicator (Minimum), the highest value of the analyzed financial indicator (Maximum), variation range (Range), structure of the financial indicator (% of Total Sum) and structure of the number of companies (% of Total N). The activity fields considered, according to the CAEN classification, are: 1. Agriculture, Forestry and Fishing, 2. Extractive industry, 3. Manufacturing industry, 4. Production and supply of electric and thermal energy, gas, hot water and air conditioning, 5 Water distribution; sanitation, waste management, decontamination activities, 6. Construction, 7. Wholesale and retail trade; repair of motor vehicles and motorcycles, 8. Transport and storage, 9. Hotels and restaurants, 10. Information and communications, 11. Financial and insurance intermediation, 12. Real estate transactions, 13. Professional, scientific and technical activities, 14. Administrative services and support service activities, 15. Public administration and defense, 16. Education, 17. Health and social services, 18. Performing activities, cultural and recreational activities, 19. Activities of extraterritorial organizations and bodies, 20. Activities of private households as household staff employer, 21. Other service activities.

It is noteworthy that certain activity areas according to the CAEN classification cannot be found in the database of Constanta municipality (such as the 19th and 20th sectors); moreover, some activity fields recorded losses and hence the calculation of the profit rate was not justified.

Table 1 Statistical description of Gross Profit/ Gross Loss in 2016 for the companies in Constanta city, per activity field

2016	Gross Profit/ Gro	ss Loss						
CAEN	Mean	N	Sum	Minimum	Maximum	Range	% of Total Sum	% of Total N
1.00	535453.96	194	103878069	-2654406	9284462	11938868	7.8%	1.7%
2.00	125433.30	23	2884966	-2671693	3127837	5799530	.2%	.2%
3.00	166611.48	797	132789353	-9708982	19960077	29669059	10.0%	7.1%
4.00	Loss	23	-230800430	-256472540	87304766	343777306	-	.2%
5.00	1041180.31	54	56223737	-2339527	25582370	27921897	4.2%	.5%
6.00	124710.50	836	104257975	-11485238	16380953	27866191	7.8%	7.5%
7.00	106268.43	3277	348241637	-6222714	27223286	33446000	26.1%	29.3%
8.00	339445.13	1451	492534887	-4660702	71459365	76120067	36.9%	13.0%
9.00	98659.05	727	71725127	-5126347	6918892	12045239	5.4%	6.5%
10.00	Loss	350	-6182431	-27661328	2440264	30101592	-	3.1%
11.00	85742.43	191	16376805	-555614	1982920	2538534	1.2%	1.7%
12.00	114042.21	457	52117291	-6879673	4800720	11680393	3.9%	4.1%
13.00	52792.49	1414	74648575	-2219452	4077543	6296995	5.6%	12.6%
14.00	110065.45	574	63177567	-1677304	6495640	8172944	4.7%	5.1%

15.00	Loss	1	-14294	-14294	-14294	0	-	.0%
16.00	26290.99	125	3286374	-1210654	2015630	3226284	.2%	1.1%
17.00	114860.00	314	36066039	-393209	4114759	4507968	2.7%	2.8%
18.00	28812.94	265	7635430	-6238560	2685302	8923862	.6%	2.4%
21.00	48077.96	113	5432809	-121117	1002505	1123622	.4%	1.0%
Total	119281.20	11186	1334279486	-256472540	87304766	343777306	100.0%	100.0%

Source: Data obtained by processing the information from the financial accounting balance sheets of active companies in Constanța city

Table 2 Statistical description of Gross Profit/ Gross Loss in 2017 for the companies in Constanta city, per activity field

							% of	
CAEN	Mean	N	Sum	Minimum	Maximum	Range	Total Sum	% of Total N
1.00	450413.99	205	92334868	-1058902	6522895	7581797	6.6%	1.7%
					11835625	205502783	0.070	
2.00	Loss	18	-179635576	-193667158			-	.2%
3.00	119990.21	798	95752187	-31104359	24117294	55221653	6.8%	6.7%
4.00	Loss	22	-163685300	-192996063	58735586	251731649	-	.2%
5.00	513560.61	46	23623788	-2820758	12365384	15186142	1.7%	.4%
6.00	143682.19	860	123566682	-14189480	27857176	42046656	8.8%	7.2%
7.00	121580.97	3282	399028757	-10066458	41812244	51878702	28.5%	27.5%
8.00	337620.35	1474	497652389	-7369034	102072991	109442025	35.6%	12.3%
9.00	163067.71	742	120996239	-881561	11505321	12386882	8.7%	6.2%
10.00	69796.66	393	27430089	-1587443	2437713	4025156	2.0%	3.3%
11.00	91567.57	175	16024325	-751328	2081023	2832351	1.1%	1.5%
12.00	103049.99	538	55440897	-9038351	13358353	22396704	4.0%	4.5%
13.00	81591.32	1498	122223803	-1587249	11010297	12597546	8.7%	12.5%
14.00	95726.23	597	57148559	-3659305	7721186	11380491	4.1%	5.0%
15.00	Loss	2	-87166	-65314	-21852	43462	-	.0%
16.00	27044.96	141	3813339	-337208	1504458	1841666	.3%	1.2%
17.00	132403.81	362	47930180	-821864	5899059	6720923	3.4%	3.0%
18.00	138841.59	314	43596260	-338349	16416646	16754995	3.1%	2.6%
21.00	31614.08	478	15111531	-382964	5177576	5560540	1.1%	4.0%
Total	117058.67	11945	1398265851	-193667158	102072991	295740149	100.0%	100.0%

Source: Data obtained by processing the information from the financial accounting balance sheets of active companies in Constanța city

Table 3 Statistical description of the turnover in 2016 for the companies in Constanta city per activity field

2016 N	et Turnover							
CAEN	Mean	N	Sum	Minimum	Maximum	Range	% of Total Sum	% of Total N
1.00	3745032.10	194	726536228	200	155190165	155189965	3.3%	1.7%
2.00	3246462.30	23	74668633	4000	15639177	15635177	.3%	.2%
3.00	2398942.00	797	1911956771	383	192835391	192835008	8.6%	7.1%
4.00	61693587.8 3	23	1418952520	407	499393440	499393033	6.4%	.2%

Total	1986588.32	11186	22221976978	2	2647748817	2647748815	100.0%	100.0%
21.00	582288.67	113	65798620	121	14813415	14813294	.3%	1.0%
18.00	851772.46	265	225719701	309	77691513	77691204	1.0%	2.4%
17.00	711857.92	314	223523387	2	21595537	21595535	1.0%	2.8%
16.00	538450.18	125	67306272	1187	45674623	45673436	.3%	1.1%
15.00	10532.00	1	10532	10532	10532	0	.0%	.0%
14.00	1027242.29	574	589637074	12	68663185	68663173	2.7%	5.1%
13.00	392782.61	1414	555394605	29	138744625	138744596	2.5%	12.6%
12.00	409437.19	457	187112797	42	17064062	17064020	.8%	4.1%
11.00	291292.97	191	55636958	500	6255477	6254977	.3%	1.7%
10.00	380467.35	350	133163574	118	8282850	8282732	.6%	3.1%
9.00	846355.69	727	615300589	10	39326641	39326631	2.8%	6.5%
8.00	2237638.31	1451	3246813194	17	289799598	289799581	14.6%	13.0%
7.00	3195563.40	3277	10471861260	4	2647748817	2647748813	47.1%	29.3%
6.00	1332030.54	836	1113577534	6	57775593	57775587	5.0%	7.5%
5.00	9981606.09	54	539006729	750	270803067	270802317	2.4%	.5%

Source: Data obtained by processing the information from the financial accounting balance sheets of active companies in Constanța city

Table 4 Statistical description of the turnover in 2017 for the companies in Constanta city per activity field

2017 N	Net Turnover							
CAEN	Mean	N	Sum	Minimum	Maximum	Range	% of Total Sum	% of Total N
1.00	3440062.20	205	705212751	117	182026465	182026348	3.1%	1.7%
2.00	8088091.89	18	145585654	3816	58088740	58084924	.6%	.2%
3.00	2573109.87	798	2053341679	14	229830865	229830851	9.0%	6.7%
4.00	61477629.73	22	1352507854	103	481901551	481901448	5.9%	.2%
5.00	11495457.30	46	528791036	2000	284206630	284204630	2.3%	.4%
6.00	1242802.55	860	1068810197	54	62939159	62939105	4.7%	7.2%
7.00	3304663.98	3282	10845907168	17	2961385659	2961385642	47.3%	27.5%
8.00	2427783.42	1474	3578552768	8	302472694	302472686	15.6%	12.3%
9.00	904398.61	742	671063770	42	28134885	28134843	2.9%	6.2%
10.00	361689.45	393	142143952	245	9033209	9032964	.6%	3.3%
11.00	296017.92	175	51803136	30	5788888	5788858	.2%	1.5%
12.00	409166.42	538	220131535	163	28349962	28349799	1.0%	4.5%
13.00	307639.38	1498	460843793	1	22407331	22407330	2.0%	12.5%
14.00	846908.31	597	505604263	12	39530076	39530064	2.2%	5.0%
15.00	623381.00	2	1246762	21094	1225668	1204574	.0%	.0%
16.00	149441.87	141	21071304	700	2038600	2037900	.1%	1.2%
17.00	727821.40	362	263471346	100	26331395	26331295	1.1%	3.0%
18.00	580434.88	314	182256553	100	38380759	38380659	.8%	2.6%
21.00	269838.56	478	128982830	142	14377185	14377043	.6%	4.0%
Total	1919407.98	11945	22927328351	1	2961385659	2961385658	100.0%	100.0%
	•	•						•

Source: Data obtained by processing the information from the financial accounting balance sheets of active companies in Constanța city

The profit rate shows the efficiency of the economic activity of the activity field or of the company, ensuring the connection between profit and net turnover (Vasilescu and Robu, 2005). In the literature, there are several ways of calculating this rate of return; in this paper, we opted for the following:

Gross profit rate =
$$\frac{net profit}{turnover} x100$$

Activity field	Gross profit rate 2016 (%)	Gross profit rate 2017 (%)	Dynamics of the profit rate (%)
1. Agriculture, Forestry and Fishing	14.29	13.09	91.57
3. Manufacturing industry	6.94	4.66	67.14
5 Water distribution; sanitation, waste management, decontamination activities	10.4	4.46	42.82
6. Construction	9.36	11.56	123.48
7. Wholesale and retail trade; repair of motor vehicles and motorcycles	3.32	3.67	110.63
8. Transport and storage	15.16	13.90	91.67
9. Hotels and restaurants	11.65	18.03	154.67
11. Financial and insurance intermediation	29.43	30.93	105.08
12. Real estate transactions	27.85	25.18	90.42
13. Professional, scientific and technical activities	13.44	26.52	197.32
14. Administrative services and support service activities	10.71	11.30	105.49
16. Education	4.88	18.09	370.64
17. Health and social services	16.13	18.19	112.74
18. Performing activities, cultural and recreational activities	3.38	23.92	707.13
21. Other service activities	8.25	11.71	141.89
Total	6.00	6.09	101.57

Source: Data obtained by processing the information from the financial accounting balance sheets of active companies in Constanta city

5. Conclusions

Performance is a permanent concern for all businesses regardless of their activity field. Performance assessment is based on the use of indicators that result from the performance of all activities in order to meet the set objectives, and the tools for assessing performance are the indicators. These indicators should provide information that would support two types of activities, i.e. action management and assessment of results (Valceanu, Robu and Georgescu, 2004).

The case study conducted in this paper, which focused on the analysis of the economic and financial performance of companies in Constanta municipality, per activity field, recorded the following results:

✓ Out of 21 activity fields, 15 are efficient in terms of profit rate; the fields where losses were recorded are: Extractive industry; Production and supply of electric and thermal energy, gas, hot water and air conditioning; Information and communications; Public administration and defense;

✓ Out of 15 activity fields that recorded a dynamic profit in 2017 compared to 2016, 5 recorded a decrease in the profit rate, namely: Agriculture, Forestry and Fishing; Manufacturing industry; Water distribution; sanitation, waste management, decontamination activities; Transportation and storage; Real estate transactions.

✓ The highest increase of the profit rate (in 2017 compared to 2016) was recorded by the field "Performing activities, cultural and recreational activities" (607.13%), Education (by 270.64%), Professional, scientific and technical activities (by 94.32%), followed by Hotels and restaurants (by 54.67%) and Construction (by 23.48%).

This short radiography of the results from each activity field, and beyond, from each company operating in these fields, can lead to three strategic orientations, i.e. development strategies, maintenance strategies and activity diminishing strategies. The strategy shows how the entity can create value for the society. The strategy is not a mere speech; it guides behaviors, knowledge and decisions towards a common goal: creating value. We live in a competitive economic system where value is acquired only if the organization finds customers on the market. Therefore, the strategy should aim not only to create this value, but also to recognize it on the market, for the superiority of its own value compared to other results in the competitive environment (Juganaru, 1998, 2000).

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Aspects Regarding the Profitability of Companies in the Towns of Constanta County, in 2016 and 2017

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Abstract

Profitability is a concern for any economic agent because the purpose of its activity is to earn profits, i.e. to conduct a profitable business. Profitability involves the efficiency of microeconomic activities, by comparing financial results – profits – with the expenditures made for obtaining them. This article focuses on aspects regarding the dynamics of the profit rate and the elements contributing to its calculation, i.e. profit and turnover, recorded by active companies in the towns of Constanta County, in 2016 and 2017. The indicators required for the statistical description of the data were calculated by the SPSS statistical software. A wide range of entrepreneurs, organs and specialized bodies interested in making the activity field more profitable can benefit from the centralization and systematization of the results obtained by this study.

Key words: profitability, profit rate, towns of Constanta

J.E.L. classification: C10, C40, E240, M10, M20, M21, O11, O12

1. Introduction

When carrying out economic activities, the profit incites us to take initiatives in order to develop the activity. The profit plays several important parts, such as: it allows the release of the necessary sources for economic development and financing risky actions, being therefore the main self-financing source; it is the main means of controlling company efficiency and employees' activity; it is a synthetic indicator of the company's economic activity; its size and dynamics reflect the quality of the used resources, of the managerial act, of the existing technical endowment; it is the premise of future development and the ultimate goal of any economic agent.

This article focuses on aspects regarding the dynamics of the profit rate and the elements contributing to its calculation, i.e. profit and turnover, recorded by active companies in the towns of Constanta County, in 2016 and 2017. The indicators required for the statistical description of the data were calculated by the SPSS statistical software.

2. Theoretical background

Therefore, the requirements of economic efficiency concern the maximization of results, while minimizing expenditures, as well as optimizing the use of labor, material and money resources. In fact, economic efficiency criteria must govern any field of human activity, including the social one. On the other hand, profitability represents the efficiency of microeconomic activities by comparing financial results – the profit – with the expenditures incurred for obtaining them. Economic efficiency has a more complex content, reflecting the extent to which an activity produces positive economic effects per effort unit made on the market through the demand-supply ratio. "The competitiveness of a company involves making a critical diagnosis or inventory of its capacity, i.e. of the strengths and weaknesses of all the company's components, with particular reference to the success and competition key factors. It depends on the proper functioning of all its components" (Russu, 1998).

Under the current circumstances, where market factors prevail in the system of variables that explain the results of an enterprise, the analysis of the turnover is essential in order to assess the position of the enterprise in its activity sector, its market position, its ability to launch itself and to carry out various activities in a profitable manner (Juganaru, 1998, 2000). "Depending on the turnover level, it can be stated whether the enterprise is sufficiently important, whether it is meaningful to relate its results to those of the sector or whether its market share is negligible and strategic decisions should be made consequently" (Niculescu, 1997).

Profitability can also be calculated at product, enterprise, or industry level. At all these levels, it can be calculated in both absolute and relative values, by rates of return.

In order to conduct an analysis to inform both the management and the other users of economic and financial information, the rates of return are of particular importance. They are synthetic indicators of business efficiency; they are relative values that are calculated as the ratio between effect (result) indicators and indicators reflecting an activity flow or a "stock". The rates of return have different informational content and reflect the multiple sides of the enterprise's economic and financial activity.

3. Research Method

The initial database, which consisted of information gathered from 26,978 companies in 2016 and from 28,292 companies in 2017, was refined, excluding the companies that reported zero turnover and zero number of employees (www.mfinante.ro). Thus, 11,186 companies for 2016 and 11,945 companies for 2017 remained in the study.

The second stage of data systematization involved grouping the companies in terms of towns, as this paper took into account only the towns of Constanta County. The systematization of information and the calculation of statistical indicators were performed by the SPSS software (Field, 2009). The quantitative research was carried out by using the system of absolute, relative and average indicators of chronological series (Aivaz, 2007).

4. Data, results and discussion

Table 1 and Table 2 provide a statistical description of the "Net Turnover" and "Gross Profit" through the following statistic indicators: total feature level (Sum), number of companies (N), average level (Mean), in 2016 and 2017.

Table 1 Statistical description of the "Net turnover" achieved by companies in the towns of Constanta County, in 2016 and 2017

Net turnover 2016			Net turnover 2017			
Town	Mean	N	Sum	Mean	N	Sum
Cernavoda	1481511.40	321	475565158	1097965.27	323	354642783
Constanta	1932305.02	11533	22285273850	1917329.83	11963	22937016742
Eforie Nord	599831.81	286	171551897	658761.98	297	195652309
Eforie Sud	753080.78	169	127270652	714339.25	178	127152386
Hârsova	1633322.41	135	220498526	1813006.67	141	255633940
Mangalia	3043498.81	957	2912628364	1757125.21	991	1741311088
Medgidia	804590.92	762	613098282	872400.50	768	670003587
Murfatlar	2384891.62	134	319575477	2329345.31	138	321449653
Navodari	13313046.10	727	9678584512	14658093.16	833	12210191600
Negru Voda	1545126.42	38	58714804	1349743.41	39	52639993
Baneasa	1001992.25	12	12023907	928703.96	23	21360191
Techirghiol	962402.81	199	191518159	843632.80	204	172101092
Total		15273.00	37066303588.00		15898	39059155364

Source: Data obtained by processing the information from the financial accounting balance sheets of active companies in Constanța city

The following data recorded at the level of each town are considered important in the presentation of the evolution:

- 1. There is a negative evolution in Cernavoda in 2017 compared to 2016, in the context of an increase in the number of companies from 321 in 2016 to 323 in 2017. There was also a decrease of the share held in the total number of companies from all the towns in the county, from 1.68% in 2016 to 1.61% in 2017. Thus, the net turnover of all companies in this town decreased from 475,565,158 RON in 2016 to 354,642,783 RON in 2017; in terms of share in total net turnover, the decrease was from 2.10% to 0.91%. In addition, the average net turnover decreased from 1,481,511.40 RON to 1,097,965.27 RON. If in 2016, the gross profit reached 403,485 RON, in 2017 there was a loss of 30,755,357 RON.
- 2. In Constanta, although the number of companies increased from 11,533 in 2016 to 11,963 in 2017, and the net turnover of all companies in this city increased from 22,285,273,850 RON to 22,937,016,742 RON, there was a decrease in the average net turnover from 1,932,305.02 RON to 1,917,329.83 RON. Declining trends were recorded both in the share held in the net turnover achieved by all companies in the towns of Constanta County, from 75.51% in 2016 to 58.72% in 2017, as well as in the share in the total number of companies, respectively from 60.33% in 2016, to 59.77% in 2017. A positive development was noticed in the gross profit, the increase being from 1.345.016.693 RON in 2016, to 1.400.961.704 RON in 2017; the average gross profit also increased from 116,623.32 RON, to 117,107.89 RON.
- 3. A positive evolution has been noticed in Eforie Nord, which can be described as follows: the net turnover of all companies increased from 171,551,897 RON to 195,552,309 RON; the average net turnover increased from 599,831.81 RON to 658,761.98 RON. Evident increases were also noticed at the gross profit achieved by all the companies in the town, i.e. from 25,253,955 RON in 2016 to 35,608,094 RON in 2017; the average gross profit also increased from 88,300.54 RON in 2016 to 119,892.57 RON in 2017.
- 4. In Eforie Sud, the number of companies increased from 169 in 2016 to 178 in 2017; regarding the share in the total number of companies in the towns of Constanta County, the increase was from 0.88% to 0.89%; on the one hand, we noticed a small decrease of the turnover and, on the other hand, an increase of gross profits. Concretely, the net turnover of all companies decreased from 127,270,652 RON in 2016 to 127,152,386 RON in 2017 and the share held in the net turnover of all companies in the towns of Constanta County decreased from 1.11% in 2016 to 0.33% in 2017. The average net turnover also dropped from 753,080.78 RON to 714,339.25 RON. On the other hand, the gross profit of all companies increased from 12,934,373 RON in 2016 to 13,845,969 RON in 2017.
- 5. There is a positive evolution in Hârşova town. The net turnover of all companies in this town increased from 220,498,526 RON in 2016 to 255,633,940 RON in 2017. However, the share in the net turnover of all companies from the towns of Constanta County decreased from 0.88% to 0.65%. The average net turnover rose from 1,633,322.41 RON in 2016 to 1,813,006.67 RON in 2017. The number of companies also increased from 135 in 2016 to 141 in 2017. As far as the share is concerned, it recorded an insignificant decrease from 0.71% to 0.70% of the total number of companies in the county. Increases were also noticed in terms of the gross profit achieved by all companies, from 17,638,951 RON in 2016, to 23,824,116 RON in 2017. The average gross profit also increased from 130,658.90 RON in 2016 to 168,965.36 RON in 2017.
- 6. Mangalia is marked by a significantly negative evolution. Thus, the net turnover of all companies in this town decreased from 2,912,628,364 RON in 2016 to 1,741,311,088 RON in 2017. The average net turnover decreased from 3,043,498.81 RON in 2016 to 1,757,125.21 RON in 2017. Although the absolute value of the number of companies increased from 957 in 2016 to 991 in 2017, the total number of companies in the towns from Constanta County decreased from 5.01% in 2016, to 4.95% in 2017. We noticed a loss of 407,110,693 RON in 2016, at the level of the companies in Mangalia; the gross profit was 225,132,524 RON in 2017. In addition, the average gross profit was 227,177.12 RON in 2017, while in 2016 losses were recorded.

Table 2 Statistical description of the "Gross Profit" achieved by companies in the towns of Constanta County in 2016 and 2017

Gross profit 2016			Gross profit 2017			
Town	Mean	N	Sum	Mean	N	Sum
Cernavoda	1256.96	321	403485	loss	323	-30755357
Constanta	116623.32	11533	1345016693	117107.89	11963	1400961704
Eforie Nord	88300.54	286	25253955	119892.57	297	35608094
Eforie Sud	76534.75	169	12934373	77786.34	178	13845969
Hârsova	130658.90	135	17638951	168965.36	141	23824116
Mangalia	loss	957	-407110693	227177.12	991	225132524
Medgidia	80071.10	762	61014180	55240.43	768	42424651
Murfatlar	loss	134	-76372077	loss	138	-34251606
Navodari	124885.86	727	90792018	620943.49	833	517245929
Negru Voda	399225.47	38	15170568	354152.44	39	13811945
Oras Baneasa	40116.92	12	481403	68209.61	23	1568821
Techirghiol	60472.61	199	12034050	47329.78	204	9655275
Total		19118	1415398085		15898	2219072065

Source: Data obtained by processing the information from the financial accounting balance sheets of active companies in Constanța city

- 7. Medgidia experienced a contradictory trend, recording increases of the turnover and decreases of the gross profit. Thus, the net turnover of all companies in this town increased from 613,098,282 RON in 2016 to 670,003,587 RON in 2017. However, the share in the net turnover achieved by all companies in the towns from Constanta County decreased from 4.99% to 1.72%. The average net turnover, which was 804,590.92 RON in 2016, reached 872,400.50 RON in 2017. Even under these circumstances, it is noteworthy that there were significant decreases in the gross profit achieved by all the companies in Medgidia, i.e. from 61,014,180 RON in 2016 to 42,424,651 RON in 2017 (the share in the gross profit achieved by all companies in the towns of Constanta County decreased from 4.31% in 2016 to 1.68% in 2017). The same happened to the average gross profit, which in 2016 reached 80,071.10 RON and in 2017 dropped to 55,240.43 RON. The number of companies grew in absolute value from 762 in 2016 to 768 in 2017, but the share in the total number of companies in the towns of Constanta County declined from 3.99% in 2016 to 3.84% in 2017.
- 8. As far as Murfatlar is concerned, in line with the increase in the number of companies, i.e. from 134 in 2016 to 138 in 2017, on the one hand, the net turnover of all companies increased from 319,575,477 RON in 2016 to 321,449,653 RON in 2017. On the other hand, the average net turnover decreased from 2,384,891.62 RON in 2016 to 2,329,345.31 RON in 2017. Decrease trends were noticed both in the share in the net turnover achieved by all the companies in the towns of Constanta County, i.e. from 0.88% in 2016 to 0.82% in 2017, as well as in the share in the total number of companies in the towns of Constanta County, respectively from 0.70% in 2016 to 0.69% in 2017. This town draws the most attention through the size of registered losses, i.e. 76,372,077 RON in 2016 and 34,251,606 RON in 2017.
- 9. In Năvodari, the evolution was positive. The growth in the net turnover of all companies in this town increased from 9,678,584,512 RON in 2016, to 12,210,191,600 RON in 2017. The share in the net turnover achieved by all companies in the towns of Constanta County also increased from 4.76% to 31.26%. The average net turnover grew from 13,313,046.10 RON in 2016 to 14,658,093.16 RON in 2017. The increase of the gross profit is also remarkable. Thus, in 2016, the gross profit of all companies was 90,792,018 RON and it reached 517,245,929 RON in 2017; the average gross profit achieved in 2016 was 124,885.86 RON and in 2017, it reached 620,943.49 RON.

10.As far as Negru Voda is concerned, we noticed a negative evolution of all indicators. Specifically, the net turnover of all companies in the town decreased from 58,714,804 RON in 2016 to 52,639,993 RON in 2017, and the average net turnover decreased from 1,545,126.42 RON in 2016 to 1,349,743.41 RON in 2017. The share of the net turnover achieved by all companies in Negru Voda in the net turnover of all the companies from all the towns of the county decreased from 0.25% in 2016 to 0.13% in 2017 The gross profit achieved by all companies in Negru Voda reached 15,170,568 RON in 2016 and dropped to 13,811,945 RON in 2017. The average gross profit reached 399,225.47 RON in 2016 and decreased to 354,152.44 RON in 2017. There is an insignificant increase in the number of companies, i.e. from 38 in 2016 to 39 in 2017.

11.In Băneasa, on the one hand, the number of companies increased from 12 in 2016 to 23 in 2017. Moreover, the net turnover of all companies increased from 12,023,907 RON in 2016 to 21,360,191 RON in 2017. On the other hand, we noticed a decrease of the average net turnover, i.e. from 1,001,992.25 RON in 2016 to 928,703.96 RON in 2017. As for the gross profit achieved by all the companies in this town, it increased from 481,403 RON in 2016 to 1,568,821 RON in 2017. The average gross profit also increased from 40,116.92 RON in 2016 to 68,209.61 RON in 2017.

12.In Techirghiol, although the number of companies increased (from 199 in 2016 to 204 in 2017, while the share dropped from 1.04% to 1.02%), the economic activity was negative. In this context, we recall that the net turnover of all companies in this town fell from 191,518,159 RON (in 2016) to 172,101,092 RON (in 2017). In addition, the gross profit achieved by all companies in Techirghiol fell from 12,034,050 RON (in 2016) to 9,655,275 RON (in 2017). The average gross profit also decreased from 60,472.61 RON in 2016 to 47,329.78 RON in 2017.

5. Conclusions

It is noteworthy that while the number of companies increased from 15,273 (19,118) in 2016 to 15,898 in 2017, the total value of the net turnover achieved by all companies in the towns of Constanta County also increased, i.e. from 37,066,303,588 RON in 2016, to 39,059,155,364 RON in 2017. Moreover, the gross profit achieved by all companies in the towns of Constanta County increased from 1,415,398,085 RON in 2016 to 2,219,072,065 RON in 2017. Over the period 2016-2017, the increase expressed in absolute terms reached 1,992,851,776 RON for the net turnover achieved by all companies in the towns of Constanta County and 803,673,980 RON for the gross profit achieved by all companies in the towns of the county.

Three towns drew the attention through the evolution recorded over the analyzed period: Navodari is different from the other towns because it had a positive evolution, while Murfatlar recorded the largest losses; Constanta had an almost constant evolution.

By comparing the two analyzed indicators (turnover and profit), we drew a synthetic profitability picture by means of a relative indicator, i.e. the profit rate (Table 3).

Table 3 Profit Rate

Table 5 1 rejultane		
Town/Profit rate	2016	2017
Constanta	6.04%	6.11%
Eforie Nord	14.72%	18.20%
Eforie Sud	10.16%	10.89%
Hârsova	8.00%	9.32%
Medgidia	9.95%	6.33%
Navodari	0.94%	4.24%
Negru Voda	25.84%	26.24%
Oras Baneasa	4.00%	7.34%
Techirghiol	6.28%	5.61%
Total	3.82%	5.68%

Source: Data obtained by processing the information from the financial accounting balance sheets of active companies in Constanța city

The profit rate shows the efficiency of the economic activity, of the activity field or of the company, ensuring the relation between profit and net turnover. Thus, from this perspective, as shown in Table 3, in 9 of the analyzed towns, the companies carry out profitable activities, while in 3 towns (i.e. Cernavoda, Murfatlar and Mangalia), the majority of companies perform inefficient activities.

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Considerations Regarding the Pension Systems in Countries of Central and Eastern Europe

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Abstract

The purpose of the pension systems consists in compensation of the damages arisen following the occurrence of some risks which restrict the working capacity and generate financial instability.

The political reorganization of Central and Eastern European Countries, as also the accession to European Union required also the reorganization of the pension systems in these states. Regarding this aim, the main regulations implemented had targeted the consolidation and the reduction of the pressure in the public pension systems to maintain the financial sustainability of these.

This paper is proposing a comparative highlight of the main characteristics of the national pension systems in states from Central and Eastern Europe. The main conclusion resulted from this study is that the efficiency and the effectiveness of a national pension system are generated by the level of adequacy of it at the conditions existing into the respective country.

Key words: PAYG pension systems, sustainability, adequacy, demographic transition. **J.E.L. classification:** J11, J38.

1. Introduction

Based on the pay-as-you-go (PAYG) principle, the pension systems in Central and Eastern European countries, benefited during the socialist period of a high level of contributions, so it had gave generous benefits with high replacement rates of incomes under the conditions of a relative low contributory stages and standard retirement age.

Latest modifications appeared into the demographic structure, like increased life expectancy, decline of fertility rate, emigration and also the increased unemployment rate and the tax avoidance, are real challenges to maintain the financial sustainability of pension systems.

The objective of this paper is to make a brief presentation of the characteristics of national pension systems in states of Central and Eastern Europe, as Czech Republic, Poland, Hungary, Romania and Slovakia. Also, we wanted to highlight the evolution of some macroeconomic indicators specific to public pension systems in these states, considering the 1990 as the year of reference.

2. Theoretical background

The development of the pension systems in Europe had been made following the principles sat up by Otto von Bismarck and William Beveridge, the purpose of these being poverty reduction, ensuring an adequate income and maintaining the consumption level in retirement period (Lanoo et. al., 2014).

The importance of the pension systems is given by the socio-economic aim of them. Studies show that the poverty and social exclusion risk is significant decreased after the financial transfers made through the pension systems (Arza, 2015; Balteş & Jimon, 2018).

In the member states of European Union, pension systems are diversified. It can be noted the presence of liberalized systems with a large share of private structures in the north-west side of the continent, meanwhile in central and eastern states the main role to organize and manage the pension systems is hold by state.

The new socio-demographic conditions had required the necessity to reform the pension systems (Bonenkamp et. al, 2017) and had leaded to numerous debates regarding the alternative solutions for the pension systems, financed according to PAYG principle (Wagner, 2005; Adascalitei, 2017), especially in Central and Eastern European countries.

3. Methodology of research

The present paper shows comparatively the main characteristics of the national pension systems in some countries of Central and Eastern Europe. This article is a descriptive research which uses the study of bibliographic sources as a method to present the essential aspects of pension systems of Czech Republic, Poland, Hungary, Romania and Slovakia. Also, the observation method and synthesis are used to highlight the evolution of macroeconomic indicators specific to pension systems in these countries.

4. Structure of national pension systems in Central and Eastern European countries and their main characteristics

The financial sensitivity of PAYG pension systems, compared with demographic modifications, leaded to the implementation of the multi-pillar structure proposed by World Bank. First Pillar represented by the public pension system is the main component. Based on PAYG principles, the finances of these came from the contributions payed by taxpayers and the distribution of pensions is made only if the eligibility criteria are accomplished (Table no.1).

Table no. 1 The eligibility criteria for retirement benefits established in 2016

Communication	Standard ret	irement age	Minimum contributory	
Country	Women Males		stage (years)	
Czech Republic	65	65	20	
Hungary	65	65	15	
Poland	67	67	25	
Romania	63	65	15	
Slovakia	62	62	15	

Source: Own processing based on OCDE publications (https://www.oecd-ilibrary.org/finance-and-investment/oecd-pensions-at-a-glance_19991363) and according to Law no. 263/2010, with further updates.

Following the increased life expectancy of last years, the standard retirement age and the minimum contributory stage were extended, action which had leaded to a rise of the contributory period and an increase of the budgetary incomes obtained from contributions (Komp, 2018). With reference at the standard retirement age, the effects of the ageing population on the PAYG pension systems can be diminished by removing the upper limit of the retirement age (Cipriani -2018).

Also, with the purpose to increase the contributory degree, the anticipated retirement is discouraged by application of penalties in the computation formula of pension amount, but the extension of the professional activity is rewarded by bonuses added to received benefits.

The main benefits given by public pension systems include: the old age pension, the anticipate pension, the disability pension and the survivors pension. The redistribution of benefits is made using own computation formulas for each state. Therefore, Czech Republic had defined two components to establish the public pension amount, that are: a base component represented by a fixed amount of 9% of mean wage, and a second component, which is related with the incomes

obtained in the activity period, and uses progressive replacement rates. In Hungary the computation of the benefits is made considering 33% of the mean value of net income obtained in the first ten years of contributory period, each extra year of contribution being rewarded by increasing this percentage, and then the amount obtained will be adjusted with the variation of the purchase price index. In Poland the amount of pension benefit is computed as a ratio between the amount of contributions and the mean life expectancy at retirement age. Romania and Slovakia use to compute the pension benefits a formula based on pension points, which reflects the value of incomes obtained in the activity period.

Regarding the Second Pillar of mandatory private pension funds, the implementation of this was and remains an intense discussed subject. Except the advantages brings by extension of income sources at retirement, it have to be considered the deficiencies of the pension funds privatization as: high expenses, increase of tax burden, investment and inflation risks (Louzek, 2008). All the states included in the analysis had regulated and implemented the Second Pillar, but following the economic crisis from 2007 which decreased the confidence in the stock market, the states have redefined the structure of private pension funds. So, Czech Republic, Poland and Hungary decided the nationalization of them, meanwhile Romania decreased the contribution rate to this pillar.

Except these two pillars, in each state it is regulated the voluntary pension system, based on life insurance policies, concluded with an insurance company. The system is a contributory one, the contributions payed to this pillar are tax deductible.

Redistribution in the cases of private managed pension funds is made in accordance with the history and amount of wage incomes and contributions. In these systems it is taken into consideration the life expectancy, so the pension amount is correlated with the collected contributions and also with the time for which these funds must be distributed.

The states of Central and Eastern Europe have had a long process of reforming their national pension systems, but they are still confronting with problems regarding the financial sustainability. OECD (2017) sustains the importance of regulating the occupational pension systems, which into these states are "unexplored opportunities" (Padurics & Szalai, 2017).

With regard at maintaining the financial sustainability of public pension systems in the states of Central and Eastern Europe financed by PAYG principles, we consider that it is necessary to find solutions that will lead to increase the employment rate of working population, to decrease emigration, to stimulate the birth rate, as also to integrate the immigrant population, which could compensate the national natality fall.

5. Evolutions regarding the macroeconomic indicators specific to public pension systems

The demographic evolution of the population of Czech Republic, Poland, Hungary, Romania and Slovakia in 2016, compared with 1990, is represented into the Figure no.1. Compared with 1990, in Czech Republic and Slovakia the population had increased with 2%, respectively with 3% until 2016. In Poland we assist to a decrease of the population with 0.2%, and in Hungary and Romania the population recorded a reduction with 5%, respectively 15%. An important factor for this evolution is represented by the migration of working population. Data highlighted that between 1990 and 2016 in Czech Republic, Poland and Slovakia the net migration is positive. In Romania and Hungary this indicator recorded negative values, suggesting that these two states are exporting working force.

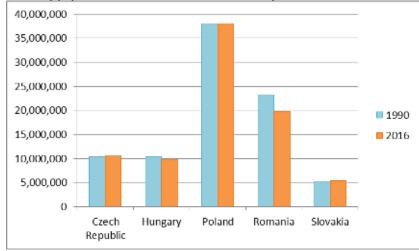


Figure no.1. Evolution of population in Central and Eastern European countries

Source: Own processing based on the data available at the Eurostat database

Between 1990 and 2016 can be noted an accelerated aging rate of population, the share of persons aged 65 years old and over in total population had increased in all five European states included in the research (Figure no.2). The most remarkably rise can be observed in the case of Romania (+7.10%) and Poland (+6%).

Correlated with the proportion of population aged 65 years and over in total population, a relevant indicator is represented by the old dependency ratio, which highlight the degree in which active population financially supports the elderly. In Figure no.3 can be remarked that in the period 1990-2016 this indicator had increased, the higher value was recorded in Romania (+10.3%), followed by Czech Republic (+8.6%), Poland (+7.7%), Hungary (+7.2%) and Slovakia (+4.6%).

Figure no 2. Proportion of population aged 65 years old and over in total population of Central and Eastern European countries

Figure no 3. Old dependency ratio in Central and Eastern European countries



Source: Own processing based on the data available at the Eurostat database

Public pension systems of European states included in this research are based on the contributory and solidarity between generations principles. Wages taxation and the social security contributions have a straight effect on state social insurance budgets. In conditions of a high contributory rate, the tax burden increases and the productive activities carried out regulated and taxed, will be discouraged, situation which will decrease the budgetary incomes from contributions. A low contributory rate encourages the productive activities, but it does not give the assurance of obtaining enough budgetary incomes. It can be concluded that in both situations the financial sustainability of pension systems is threaten.

In Figure no.4 is presented the mandatory social security contribution rates applied by the countries included in this research in 2016.

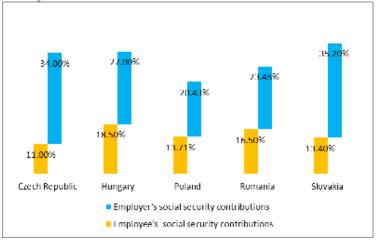


Figure no 4. Social security contribution rates in 2016

Source: Own processing based on the OECD's publication: "Taxing wages 2017" and Law no.227/2015

In 2016 the wage's contributory rates recorded the highest values in Slovakia, Hungary and Czech Republic, states in which employers payed social contribution rates in a percentage of 27% to 35%. Regarding the employees contributions, the higher rates are established in Hungary, Romania and Poland.

Regarding the expenses of social protection systems, according with the data published by Eurostat, these own an important share of Gross Domestic Product (GDP). Therefore, in 2016 the expenses with social protection in countries like Hungary, Poland and Czech Republic exceeded 18% of GDP, meanwhile in Slovakia the share was over 17% and in Romania, over 14%. The share of pension benefits expenses in GDP in 2016 exceeded 11% in Poland, meanwhile in the other states from Central and Eastern Europe included in our research, the values of this indicator fluctuate between 8% and 9%.

The capacity of pension systems to ensure adequate incomes to beneficiaries can be appreciated through the replacement rate of incomes by pensions, computed by Eurostat as the ratio of incomes obtained from pensions by the beneficiaries aged between 65 years old and 74 years old and the incomes procured from wages by the persons aged between 50 years old and 59 years old. World Bank advises that the minimum value of this indicator to be at least 40%. In the cases of the five states included in research in 2016 the value of this indicator exceeded this threshold. The higher value is recorded in Hungary -67%, followed by Romania -66%, Poland and Slovakia -62%, Czech Republic -50%.

6. Conclusions

The states of Central and Eastern Europe have had a long reforming process, both regarding the political framework and also the socio-economic environment. Czech Republic, Hungary, Poland, Romania and Slovakia made important steps to reform their social protection systems and moreover the national pension systems.

Even if they have a history that had unified them and they are confronting the same demographic challenges, it can be noted a different approach regarding the regulations adopted to maintain the national pension systems sustainability. As Grech (2015) also shows, the regulations enforced reflect the decisions and the preferences of political leaders.

Public pension systems of these states of Central and Eastern Europe are the main form of financial protection of elderly, therefore maintaining and consolidation of pension systems sustainability represents a priority. Measures as increasing the retirement age, the minimum contributory stage, the contributory degree, have a positive effect on this purpose, but cannot solve all the existing challenges.

The regulation of public pension systems must be made from a multi-sectorial perspective to find out the suitable solutions in the national context. Through the directions to maintain the financial sustainability of public pension systems we mention: encouraging the increase of birth rate, decreasing the emigration, integration of immigrants and increasing employment rate.

Reducing the pressure existing into the pension systems through diversification and get some complementary financial sources in the retirement period, was perceived differently in Central and Eastern European countries. Implementation of Second Pillar does not have the expected results and the occupational pension systems own a limited area.

The general conclusion of this study is that the efficiency and effectiveness of a national pension system are determined by the degree of adequacy at the conditions existing in each state.

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Globalization - Between Economic Growth And Crisis

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Abstract

Globalization is a highly complex phenomenon, the effects of which are difficult to predict and even quantify.

Despite all the economic and social progress it has generated, it also raises a number of concerns.

The economic growth generated by the liberalization of the markets has not limited the excesses materialized in tax evasion, cross-border economic criminality, etc.

Deregulation and excessive liberalization of the markets led to the global financial crisis at the end of the past decade. This crisis must not transform the markets into a genuine scapegoat, but trust in their flawless functioning must be reconsidered, as well as in their capacity to maximize the profit under any circumstances.

In the context of the diminishing role of the different countries' borders, there is an increasing dependence of the economies of different countries on the world economy. The effect of this state of affairs is reflected in the vulnerability of the states in relation to the disturbances in the global economy and the amplification of the intensity of global crises.

The main issues addressed in this paper are focused on the economic growth achieved over the last decades globally, the distribution of economic growth by category of countries, the effects it has had on the population, as well as the intensification of the frequency and impact of the crisis on the economy.

The aim of this scientific approach was to highlight the problems faced by the world in the current globalization period, highlighting the need to find solutions that would help moralize the globalization phenomenon; thus, ordinary citizens would no longer be dominated by the fear of losing their jobs, by the fear of a hindered access to medical or education services.

Key words: globalization, economic growth, crisis, poverty, deregulation

J.E.L. classification: F63

1. Introduction

The increase of the globalization phenomenon recorded during the last generation's period of time has led to fundamental economic and social changes both globally and in the different categories of countries. The global economy has become a largely flat playing field, the obstacles in the path of the movement of production factors diminishing substantially.

Under the influence of rich countries and large transnational corporations, respectively, globalization has been characterized by the strong liberalization of goods and capital movement, and by a relatively restricted liberalization of labor movement. This has allowed the capital to move freely toward the markets that provided the best conditions for profitability, conditions determined by the low level of wages, the permissive environmental pollution legislation, etc. Moreover, multinationals threaten their host countries to delocalise production unless they receive substantial tax cuts. The high level of automation in certain economic sectors has also contributed to the phenomenon of delocalisation of productive activities in the poorer areas.

When the capitalist era was in full swing, the military-industrial complex was created and, implicitly, also a military-industrial oligarchy that manages it. It has been proven that during peacetime the interests of the military-industrial oligarchy have been contrary to the interests of the

population. While the first category was militating in favour of financing the arms race, the second category wanted economic development and prosperity. The balance tilted in favour of the military-industrial complex's interest, the contracts that have been concluded with the government for deliveries to the army being extremely profitable for the large corporations in the field.

From the few examples mentioned above, we can note that in the current period of accentuation of the globalization phenomenon, multinational firms have been clearly favored compared to the other participants in the economic life.

Based on previous research and recent developments in globalization, I have identified some problems faced by humankind while searching for solutions in the field.

2. Theoretical background

The term globalization was used in academic debates during the '60s and sporadically in the period before. (Jones, 2011, p.14) Globalization is a phenomenon that is difficult to define in strictly concrete terms; it is a phenomenon that targets the world either as a whole or under different aspects, the economic one being dominant. From an economic perspective, conceptually, globalization is seen as the liberalization of the movement of capital, commodities, labor force, technical knowledge, etc.

Globalization is undoubtedly one of the most controversial phenomena of the contemporary period, generating wide-ranging debates in the literature.

Investigating the globalization phenomenon has been based on accessing important bibliographic sources. I want to emphasize the existence of wide variety of approaches in the literature. Among the most important authors in the field of globalization there are: Anthony Giddnes with valuable assessments especially in theoretical terms, Thomas Friedman with evident pro-globalization approaches, Subcomandante Marcos with Leninist Marxist valences, blaming globalization for most of the contemporary life's failings, Joseph Stiglitz with a rational and pragmatic approach to globalization, etc.

Regardless of the perspective, globalization has led unquestionably to economic growth and got many millions of people out of poverty. At the same time, we have witnessed the establishment of the phenomenon of contagion crisis, and the effects induced by globalization can be criticized in many ways.

3. Economic growth and poverty in the era of globalization

After the fall of communism and in the context of the liberalization of the markets, humanity benefited from a sustained economic growth until the global crisis in 2008. Following the said crisis, the economic growth slowed down.

We must emphasize that economic development is the basis for the evolution of all the components of economic and social life, including freedom. (Dobrescu, 2016, p.9)

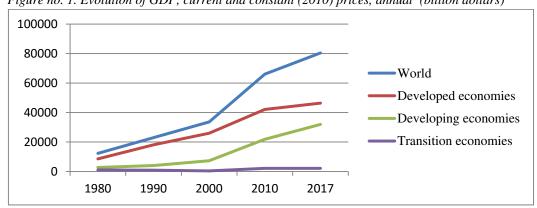


Figure no. 1. Evolution of GDP, current and constant (2010) prices, annual (billion dollars)

Source: www.unctad.org

Between 1980 and 2008, we witnessed a stronger GDP growth for developed countries than the GDP recorded in the group of the developing countries. After 2008, a tendency to reduce the increase of the GDP level between the two categories of countries became noticeable. The evolution of GDP in transition countries was, on the one hand, insignificant compared to the world GDP and, on the other hand, inconclusive given the fluctuation in the number of countries included in this category.

As far as the structure is concerned, therefore in terms of relative numbers, the evolution of GDP in the analyzed period was favorable to the developing countries and countries in transition, a tendency considered to be positive if we take into account that in these two categories of countries almost 80% of the world's population lives. The same cannot be said from the point of view of absolute numbers, the situation being favorable to the developed countries. Thus, the difference between the GDP of the category of developed countries and the GDP of the category of developing countries increased from \$ 5826.1 billion in 1980 to \$ 14471.7 billion in 2017. The differences between the two categories of countries also increased in terms of GDP per capita.

Table no 1. Breakdown of GDP by country category

	1980	%	2008	%	2017	%
World	12293.1	100	64396.8	100	80439.2	100
Developed countries	8553.8	69.5	42561.4	66.0	46389.3	57.6
Developing countries	2727.7	22.1	19677.5	30.5	31917.6	39.6
Countries in transition	1012.1	8.2	2157.9	3.3	2132.2	2.6
China	340.2	2.7	5013.6	7.7	10161.1	12.6

Source: www.unctad.org

The good results recorded in the developing countries in terms of economic growth are due mainly to the Chinese economy's evolution. The share of China's GDP in the total GDP registered by developing countries has increased substantially from 12.4% in 1980 to 31.8% in 2017. In fact, much of the economic growth recorded in developing countries after 1980 was due to China. It should be noted that the economic development that targeted the developing countries was characterized by a high degree of heterogeneity.

50000
40000
30000
20000
10000
1980
1990
2000
2010
2017

Figure no. 2. Evolution of foreign trade (billion dollars)

Source: www.unctad.org

The external trade growth over the analyzed period was higher than GDP growth at both global and country categories levels. Developed countries by reference to developing countries have recorded favorable developments both in terms of relative numbers and in terms of absolute numbers.

The advanced economies, through the competitive goods and services that they have generated have benefited from the globalizing tendencies occurred in the mentioned period. Generally, we can say that the countries that have been better anchored to the global economy, namely those

countries in which the share of foreign trade in GDP has reached considerable values, benefited most from the liberalization of the world economy.

The liberalization of capital movement allows, as we have mentioned, large capital holders that are predominantly concentrated in wealthy countries to invest all over the world. Thus, capitalists in wealthy countries are gaining wealth while capitalists in poor countries are diminishing their capital. As a consequence, the gap between wealthy countries and poor countries also increases.

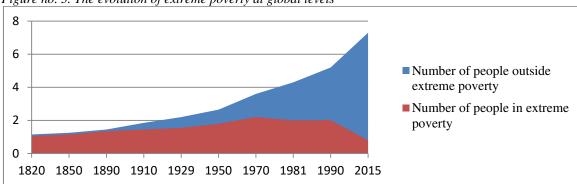


Figure no. 3. The evolution of extreme poverty at global levels

Source: The European Commission, 2017. Reflection paper on capitalizing on globalization opportunities, available at https://ec.europa.eu/commission/sites/beta-political/files/reflection-paper-globalisation_ro.pdf, p.8

History gives many examples conerning the fact that many nations have not progressed economically because of the rich, who, in order not to lose their privileges, have opposed the implementation of new technologies and have made access to education for lower category citizens more difficult. (Deaton, 2017, p. 226)

After 1980, from the point of view of taxation, the wealthy, whose number and wealth have increased substantially, were certainly favored. However, the accentuation of globalization through the economic growth it generated has led to a sharp decline in the number of people living in extreme poverty, but especially their share in the world's total population.

In terms of the economic progress generated by the liberalization process, we can see that there is a certain similarity between the former empires and the currently regionally integrated structures, such as the European Union (EU) or the North American Free Trade Agreement (NAFTA).

In an empire, with all its negative aspects, commodities, people, scientific knowledge have moved easier than when they had to cross the border of some states, at certain times of history, which were undertaking protectionist measures. The European integration is, by and large, an act of globalization, which has led to economic prosperity in the context of avoiding military conflicts so characteristic of European states. Moreover, the surrender of part of the sovereignty of the member states to the EU institutions and the controversies surrounding the redistribution of income at the Community level are issues that have generated disputes and frustrations within the Union. It is quite difficult for politicians of advanced economies in the EU to explain that from their contributions development projects and other actions in less advanced Community countries should be supported. The effect of this state of affairs has been immediately reflected in the electoral gains of the extremist parties in many EU member states.

It is undeniable that globalization has meant economic progress for many states, and many citizens have emerged from the poor category, but it is not right to think that globalization has been a full success from this perspective. Globalization has generated progress and wealth, but the problem lies in how the results of the globalization have been distributed, which have obviously caused discomfort among various countries, and among different social categories within each country.

4. From deregulation to crisis

In the contemporary period, we have increasingly encountered expressions, such as crises contagion, global financial crisis, over-indebtedness crisis, currency crisis, systemic crisis, identity crisis, rule of law crisis, etc. Many of the economic analysts have turned into true specialists in crises.

It is clear that by its current manifestation, capitalism is going through a less optimistic period, a period marked by several shortcomings at both microeconomic and macroeconomic level. When some of these shortcomings become chronic, crises are triggered.

We can say that after 1990 we are witnessing a real paradox regarding the degree of state intervention in the economy. On one hand, it is acclaimed that economic development should be achieved through excessive liberalization of markets, and the deregulation by many of the world's states is a testimony to this. On the other hand, after the global financial crisis in 2008, a crisis mainly caused by the deregulation of the banking financial system, there was an appeal for the state's intervention by allocating considerable sums from national budgets in order to rescue those who generated the crisis situation and who until then had fiercely criticized state's intervention in the economy. According to many of the richest people on the planet, as well as of many economic analysts supported by them, state's intervention in the economy must be fluctuating and must be situated at levels that allow the enforcement of the already established expression "privatization of gains and socialization of losses".

The bankers' greed and the deregulation of the banking field at the banks' initiative have led to the outbreak of the global financial crisis in 2008, after the banking system had worked very well for 4-5 decades since the end of the Second World War. Apart from the fact that they managed to influence the modeling of laws in accordance with their own interests, banks have managed the performance of not adhering to the laws of capitalism. Although they have become bankrupt due to the excessive risks taken and should have left the economic scene, the banks have been saved by the states for superior reasons.

Moreover, by misinformation, if not downright lies, which they have launched in recent years, as well as through the abusive practices they have carried out, the banks have in fact committed crimes on an ongoing basis. Unnaturally, the liability of banks that have committed illegal actions was limited to the fines they paid. The employees of the banks, primarily the managers, who repeatedly violated the law were not held accountable in any way, the permissive legislative system making such a situation possible. Such repeated crimes have characterized some of the big companies also active in other areas. (Stiglitz, 2013, p.330)

The three global institutions, the IMF, the World Bank and the WTO, through their policies, have supported the fundamentalism of markets with negative consequences on the masses of people and the poorer countries. The fiscal austerity applied without regard to the concrete conditions in each country can induce a boomerang phenomenon by job cuts and aggravating social conflicts. The privatization at any cost under the Washington Consensus has only partially solved the problems by creating liquidity for the payment of international creditors. In the medium to long term, privatization has led to an increase in the number of the unemployed and a decrease in state revenues. In addition, the corruption that has characterized the privatization process in many countries has led to a drastic decline in popularity for the global institutions, primarily the IMF. Economic development through excessive liberalization of capital markets is a largely unsustainable phenomenon.

In the last decades, but especially after 2008, we have witnessed a substantial increase in the states' public debts, as well as in the debts of the companies and of the population. This phenomenon can endanger the economic development of the states and the standard of living of the population in the medium and long term.

If in the past poor and over-indebted countries were subjected to military aggression by the rich creditor countries, the situation has now become more nuanced. Under the pretext of disturbing the financial markets and the departure of investors from the capital markets, followed by rising interest rates, the debtor countries are forced to accept the IMF's financial adjustment recipe. It is in fact also a cession of sovereignty in favor of foreign creditors in the way it happened more than a century ago.

The tough and prolonged effects of the 2008 crisis were largely due to the strong growth in the last 50 years of the indebtedness of the developed countries.

5. Conclusions

We would be tempted to say that for globalization the greatest danger is represented by the antiglobalization theorists or the demonstrators (sometimes extremely violent) who take part in the protest actions occasioned by the summits organized by the global institutions. The greed of interest groups, doubled by the manipulation of the public opinion through their media agencies, represent the real dangers to globalization in the medium and long term.

While national elites are calling the shots, including through the legislative system, to support their own interests, the global elites do this very thing globally. Thus, in addition to accentuating the inequality in society, we have found that over time, and especially in the last decades, some nations have specialized themselves in winning, and others in losing. (Piketty, 2015, p. 122)

According to Dani Rodrik, globalization, democracy, independence, and national self-determination are three phenomena that, in order to coexist at the same time in the fullness of the tasks they define, certain compromises must be made. (Stiglitz, 2013, p.243) The challenge of the compromise to be made naturally arises. As democracy and globalization are phenomena with major economic and social global impact, it results that according to the opinion of the specialized literature, which we consider to be right, that the solution would consist in diminishing state sovereignty and transferring prerogatives specific to nation states to global institutions or organizations. In addition, the existence of phenomena such as gobal warming make it necessary for such global structures to operate. This reality is an argument for supporting the globalization process.

In a context in which we consider that democracy and globalization are priorities, some conditioning is required. Democracy must not be confiscated and used for their own benefit by the economic and political elites, and globalization must not generate asymmetric advantages. As far as possible, globalization must include all the countries in the world in its mechanism, and the benefits generated by it would be distributed much more evenly than before. (Koldoko, 2015, p 89)

We can say that while, after the Second World War, the free world was marked by the possibility of the Communists' taking political and economic control, nowadays the world in its majority wants a more equitable globalization.

Rationally, the US, the EU and China would initiate the principles on which the new world order would be based, conferring advantages to the above-mentioned three countries, but also to the rest of the world at an acceptable level.

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- www.unctad.org

Globalization and the Reconfiguration of the World Economic Order

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Abstract

The world witnesses significant changes in the functioning of the global economic relations that gravitate around three major global players; this analytical contribution proposed a new systematization in the form of three possible perspectives, in the context of moving from a multilateral system, organized around one great power to a multipolar one, dominated by bilateral and regional arrangements.

This article aimed to synthesize and logically structure the multitude of theories and ideas that revolve around the topic of reconfiguring the global economic order so that it becomes more accessible to a wider audience. We joined the economists concerned to decode where globalization is going, a mission that started decades ago but which remains one of the challenges of the 21st century. Thus, the elaboration of this paper involved an approach including several stages: documentation, information, synthesis and systematization, and finally, a personal approach on the world economic order.

Key words: globalization, economic order, global players

J.E.L. classification: F02

1. Introduction

Globalization remains one of the most controversial debate themes at the moment, and the need for economists to define the concept in search of scientific explanations for certain phenomena in the economy is only partially satisfied. The various directions of investigation undertaken in the economic sphere are trying to explain its effects oscillating between large-scale presentations that reflect a multitude of aspects of global economic change and the trap of not demonstrating anything.

Many global problems are challenges for those who, in pursuit of identifying global solutions, launch, in the field of specialized literature such as socio-human, economic, international relations, questions similar to this one: *Globalization - phenomenon, ideology, strategy or all together - ?* From this dilemma, with profound implications in the evolution of the specialized literature, complex and dynamic analyzes are born, but it also explains the impossibility of defining globalization in a universally accepted and, even less, definitive form.

Our propose is not to answer the above-mentioned question through this article but to develop the idea that under the globalization dome, in the complexity of the phenomenon, we witness, in the 21^{st} century, a reconfiguration of the world economic order.

We start our analysis from an aspect discussed by economists and supported by solid arguments, namely that the Western economic model can no longer be performing and productive by its own resources, and the maintenance of prosperity, the desideratum of any economy, is achieved by recourse to debt, consequently a processes of exogenous origin. Thus, following these coordinates, taking into account the evolution of some economic theories and political doctrines, the globalization process can be considered a replacement solution for the resources input in the colonies, the economic solution of the past centuries.

After more than a hundred years from World War I, inevitably, we are talking about a global economic reorganization. Today, new powers are emerging, of which China in particular, while the economic power of the world leader, the United States (US), is in decline, a situation that contrasts

with the geopolitical situation of the early twentieth century when China was Asia's "sick", Britain began its relative decline and Germany, Japan and the US were rising.

The purpose of this article is to synthesize the significant volume of information, ideas and data that revolve around the topic of reconfiguring the global economic order in a new structure of three perspectives under which this phenomenon can be understood and may become more accessible even for an audience not necessarily formed by specialists. The following chapters, present in an objective manner, three perspectives of the reconfiguration of the economic order pursuing to clearly state its determinants and what is and will be the role of globalization in the process.

2. Overview of current scientific contributions regarding economic change

Researching the theme of this article, we find that there are many studies that generate a wealth of data and forecasts. Starting from a study conducted by Eurostat in 2017, entitled "Main Global Players for International Trade in Goods", to which we add the "World in 2018" report achieved by the British magazine "The Economist", we can say that we are observing a rare phenomenon - world economies grow synchronously: from the European economies to the US, from China's economy to Brazil and India. Analyzes of recent years, at the juncture of two major areas that dominate the public agenda of the moment, economics and international relations, anticipated correctly the series of tensions that characterize the world economy today, launching the concept of "Trumpism vs. Macronism" which refers to the type of economic policy practiced in the world. On the one hand, the US president is focused on the internal agenda explicitly defined in the "America First" program, and on the other hand, Europe is represented not only by the President of France, but also by the German Chancellor, seeking mechanisms to encourage competition and entrepreneurship, even globalization, but under the conditions of a proper social contract for employees and for states.

Numerous specialized articles deal with the theme of changes in the world economic hierarchy as effects of globalization, a common denominator of these articles is that the main global economic actors of the 21st century remain the US, China and the European Union (EU). Interestingly, however, are the divergences between economists about, perhaps the most anticipated moment in the world's economy, when China will replace the US and become the world's largest economic power. There are some opinions that China's role throughout history and the size of its economy predict a powerful China that will act independently and reshape the world order. In the same vision, China will want to assert its own values, returning to the tributary system in East Asia and, inevitably, provoking the US for global supremacy (Jacques, 2009, p. 14). Other voices, predicting a similar future for China, rely on its transformation into an urban, ecological and innovative society. In this way, China will provide for itself the necessary natural resources, situation that will increase its role within international organizations, changing the rules of the game (Economy, 2010, p. 1).

More pessimistic visions of China's future influence completely abandon the idea that it will become the world's first economic power and provide as main causes the impossibility of managing the increase in economic inequality, environmental and financial system degradation, domestic concerns also leading to its decay in the past (Bardhan, 2009).

Considering the idea that a stable world order is based on the Western key principles of democracy, rule of law and social justice, the challenge of the post-unipolar world is to apply these principles in a pragmatic manner by concluding partnerships with emerging powers that recognize cultural differences. China understands and accepts the general context, being an active player in this world order, but seeing itself more as a counterbalance to other major powers and focusing primarily on its big domestic economic challenges (Dobson, 2010a, p. 7).

From the Chinese perspective, there is not a single voice on China's role, but rather more voices depending on areas of activity, security or economy. An obvious disagreement in Chinese debates exists between military, intelligence and security communities, on one hand, and economic and institutional managers, on the other hand.

3. Methodology

The present paper is the first step of a descriptive scientific research that aims to become a new theoretical construction about the reconfiguration of the world economic order, with an interdisciplinary character because the investigated aspects fit mainly in the economic sphere, but have important and relevant connections with the field of international relations. The need to investigate a new approach on the topic came as a result of the debates launched by the practitioners in the field. The present research started from the idea that the multitude of global issues dealt with by economists or specialists in international relations must be systematized in the form of a set of perspectives to clarify what constitutes the reconfiguration of the world economic order.

In a qualitative approach, using the technique of analyzing and interpreting different known sets of data or opinions, we were able to launch three working hypotheses:

- 1. The economic power of multinational companies replaces the nation-states power
- 2. The world's largest economic power, the US, is about to suffer a rupture in its course, and its place will be taken by China
- 3. The system of multilateral agreements that characterized the 20th century is replaced by a bilateral system

In order to validate our hypotheses, we chose an inductive research strategy based on: opinions of economists with concerns in the sphere of globalization, members of think-tanks working in large university centers in Romania or the United Kingdom, like "Citadel" coordinated by a teaching staff of "Babeş-Bolyai" University in Cluj and The Royal Institute of International Affairs - Chatham House in London, speeches and comments belonging to heads of institutions that play key roles in setting global economic policies, such as the International Monetary Fund, the World Bank, the Organization for Economic Cooperation and Development, European Union, but also statistical interpretations by bodies recognized for this activity as Eurostat or the World Economic Forum, conscious that this kind of strategy provides conclusions with a relative character, probably because it operates with a large number of premises investigated.

The research methodology used in the paper included several stages: documentation and information (consultation of representative works in the field), synthesis and systematization, and finally, a personal approach on the complexity of the phenomenon regarding the world economic order.

4. The economic power of multinational companies replaces the nation-states power

Globalization, in terms of opening up national markets to free trade of goods, infusion of international capital and foreign investment, coupled with global technology flows, is the engine of this economic rebalancing. Globalization means interconnecting states as never before, and the idea that today's globalization resembles that of the early twentieth century is misleading. Over the past 30 years, globalization particularly determined prosperity within individuals among those economies that have opened up to its effects. Thus, GDP per capita in China has risen from \$ 314 in 1990 to \$ 8.836 in 2017 (The World Bank Data, 2017). Multinationals coming from economies of growing countries are now among the most efficient in the world developing trade relations with Western countries, but also more and more with countries in the Southern area.

There is talk of a "new globalism" that only serves the business interests of corporations, causing subordination of workers, consumers, public and social interests and even of profit.

Globalization seen as a process in which a state's borders are eroded, and the role of national governments is decreasing, is the biggest change in the world in the last 350 years.

The system of organization of the world through which the nation-state was the basic cell, also known as the Westphalian system, was replaced by a new system of world governance that has a number of new actors at the forefront: intergovernmental organizations, transnational corporations and non-governmental organizations. Globalization has redrawn the coordinates of the Modern International System, specialists believing that state sovereignty is undermined by international institutions such as the European Union or the United Nations. There are, of course, opinions that contradict this theory, arguing that the involvement of states in the process of globalization and the

work of international organizations is done in the national interest and to increase the "wealth of the nation."

Joseph E. Stiglitz, Nobel Prize-winning economist, former World Bank chief economist and vice president, believes that the rules of the game in the world economy are often fixed only by the interests of highly industrialized countries and by certain private interests within them and not by developing countries, which is why "globalization does not work" (Stiglitz, 2006, p. 276).

Reinventing the world's economic mechanisms, and creating bodies like the IMF and the GATT, after the First World War and continuing with the Second World War under the globalization dome, have succeeded in re-launching the world economy. International economic institutions and reconstruction and development programs have been relatively easy to impose by launching incentives that have led to a sharp increase in international trade.

On the opposite side, there are various phenomena that represent the expression of the failure of globalization. One of the promoted theories brings to the forefront that the world is no longer led by left-wing or right-wing parties, but by globalists, who promote the opening of borders and the free movement of economic immigrants, and the nationalists, those who want strict control of borders and the restriction of the movement of immigrants. Following the logic of this theory, in the last decades, the power belonged to the globalists, and the major goal of traders, multinationals, shareholders was profit. This profit has been achieved for decades on the back of the Western middle class.

Analyzing the effects of globalization on the middle class in Europe and the US, we find that companies' policies to maximize profits by cutting spending and relocating production to poorer countries place the middle class as a victim.

5. China's economic rise to becoming the world's largest economic power

The world is going through a period of regaining the balance between the key states of globalization. In 2000, the US, Japan and the EU accounted for 31%, 14% and 26% of the global GDP, while China, the Association of South Asian States and Latin America with the Caribbean Islands represented 3.7%, 1.5% and respectively 6.6%. Percentages of export figures were similar. The forecasts for 2018 projected the US, Japan and the EU at 21.6%, 6% and 20% of GDP, while China, the Association of South Asian States and Latin America to 15.3%, 3.3% and respectively 8.3%. According to the World Bank data for the year 2017, the GDP analysis shows for the US a percentage of 24.32%, for China 14.4%, and for Japan 5.1% (The World Bank Data, 2017).

The profound transformation that takes place in the world economy was marked by a historic moment in August 2010: the Japanese government launched GDP date for the second quarter and the figures indicated that China's economy had exceeded Japan's size to become the second largest economy in the world after the US. Since then, China's size and dynamism have placed it among the top rankings. It is the largest foreign currency creditor and accumulator, the world's largest exporter of goods and the largest importer of iron, copper, potassium carbonate, wood products and crude oil from Saudi Arabia.

China's GDP continues to grow strongly. China now corresponds to one third of global growth. More than 800 million people have been raised out of poverty, and the country has achieved a higher level of average income. China's per capita GDP continues to converge to that of the US, even if at a more moderate speed in recent years. China's economic development remains one of the most controversial issues addressed by world economists. A question that rises in almost all scientific articles, irrespective of the author's nationality or economic policy embraced, is whether the BRICS states GDP will exceed that of the US, Japan, Britain, France and Germany, together, before the middle of the 21st century.

China's evolution has included socio-economic transitions, "from village to city, from sketch to market, from doctrine to pragmatism, from autarchy to interdependence, and from isolation to global engagement"(Gupta, 2011, p. 140). A key factor in China's extraordinary economic performance was the federal market preservation approach, which emphasized fiscal, financial and management decentralization. Regarding state policy, comparing, for example, the work of India's modernized governance with the Chinese totalitarianism, the latter wins the debate. Thus, the incorporation of the Chinese decentralized regional totalitarian system into the historical growth

models line is inherent, imperial China being a regionally segmented economic entity, united by an extremely firm central leadership.

On the other hand, we need to acknowledge that the Chinese state is still poor, if we relate to per capita income. Two important aspects confirm this reality: the aging of its population and the decreasing number of new entrants on the labor market. A consequence of the rapid growth registered in the last thirty years is the significant income and regional inequalities generated. Correcting imbalances is not an easy task, as strong interests around undervaluing production factors (energy, land, capital and the environment) will have to be offset.

Looking back, China's remarkable development was based on two essential aspects: discipline in taking rules-based decisions, and the capacity to accept advice and technical assistance from institutions. The opening with which China has embraced global institutions and their directives has helped in effectively manage its economic success. Fighting poverty with the right economic and social instruments remains a key factor in China's economic resurgence.

6. The bilateral system replaces the multilateral one

The US is the EU's most important partner in trading and bilateral investment, upholding so far a multilateral trading system and European integration and providing a security guarantee to EU countries. But like other advanced economies, the relative weight of the US in the global economy has fallen.

The Republican administration installed in the US in 2017 is considered protectionist and nationalist and important actions already taken or planned to be taken show obvious intentions to replace multilateralism with bilateral negotiations. European leaders' common speech indicates that EU has a firm economic interest in preventing the collapse of the multilateral trading system. The opening, measured as the ratio between exports and the GDP of a country, is much higher in the EU (43.8%) than in China (22.1%) or in the US (12.6%). Protectionism would reduce EU and global well-being, affect global economic growth, and could mean lower standards and unfair competition (Demertzis, Sapir, Wolff, 2017, p.5).

But we may witness a future situation in which the EU will find itself unable to replace the US and become the global economic hegemon and this has, on the one hand, internal reasons, such as the state of the economy, the vulnerable security policy and the exposed position, and, on the other hand, external reasons, the twist in the global hierarchy with the significant economic growth of China and the BRICS countries. At the same time, all three global trade leaders have expanded the number of regional trade agreements. The world is therefore transformed from a multilateral system centered around the US to a multipolar system based on the three powerful poles of trade - China, the EU and the US - each with numerous bilateral and regional trade arrangements. This has been criticized as already compromising existing multilateral frameworks. Thus, two new fronts of debate are opened: Whether the three main poles of trade are jointly interested in supporting the existing multilateral system and whether the EU and China are willing and able to support together the multilateral system as the US quits its position in the multilateral system.

The current US administration, under the slogan "America first", may not only aim at reducing the US role as anchor of the global multilateral system. If we take into consideration the manner in which it keeps in stand-by the US participation in several important international agreements we could suppose that this is a strategy to provoke the exiting multilateral system openly. This can happen either by threatening to withdraw unilaterally or by imposing protectionist measures such as high taxes. In this situation, we believe that the EU should prioritize measures that help support the multilateral trading system. Projecting partnerships with as many players as possible, but especially with big economies such as China, will be important for defending the multilateral system.

Reinforcing EU-China cooperation, two major global actors interested in supporting multilateralism, could be the key to develop trade and investment. Nevertheless, the EU and China could also cooperate on environmental and climate issues to protect existing commitments undertaken within the Paris Agreement regarding climate change. Beyond China, the EU would also benefit from alliances with other countries relying on actual frameworks, protecting and

reinforcing existing agreements. This is crucial for meeting the Paris Agreement commitments or combating tax evasion and fraud, at a global level.

7. Conclusions

At a stage of profound economic rebalancing, the world of 2018 continues to witness the same dangers and tensions met a hundred years ago, but those who are still changing are the main global players. Under the dome of globalization, foreign investment and the global supply chain interconnect governments as much as the market.

The structural vulnerabilities of the powers that rise today are another characteristic that differentiates the world of the 20th century from that of the 21st century. China and India still have to overcome the average revenue trap. Current powers are also trying to maintain economic and political power, and the US still has the advantage of resource endowment. Western governments need to be aware of the need to treat countries with great economic potential as equal partners in institutions such as the International Monetary Fund, the International Energy Agency, etc. The emerging economies and the imminence of the reconfiguration of the global economic order have triggered nationalist ideas, but also some actions of territorial claims in the name of sovereignty. At the same time, it remains unclear whether the power of information and means of communication contributes to a damping or an inflammation of tension.

Besides the elements of reconfiguration of the world economic order, 2018 will bring some unusual situations, such as the use, alongside the gross national product indicator, of the one called the national product of happiness, the increasingly intense use of commercial drones, the expansion 5G technology or the use of artificial intelligence in the economy.

All in all, the subject proposed in this paper opens, in our opinion, at least two interesting research directions that could become topics for a suite of articles on globalization: identifying models of economic growth in the course of major global players and conducting an analysis of the way in which the world's governments have enforced measures to reduce major economic inequalities.

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Assessment of Tourism Potential Development in Banat Mountains

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Abstract

To improve global performance, every economic agent within the tourism industry must react to the evolution of all aspects related to the tourism potential and must be aware of their significance. Research conducted falls under this logic and contributes to enriching the information corresponding to the means through which the forms of tourism practiced in the Banat mountainous region might influence the increase in the area's tourist potential quality. The theme selected aligns with the area of high interest with reference to familiarizing with and highlighting tourist resources and destinations in Romania for both the academic and economic environment.

Key words: tourism, Banat, potential, hospitality, marketing

J.E.L. classification: Z32

1. Introduction

Tourism management implies the analysis of any activity related to tourism and accommodation services from the perspective of allotment and spatial rapports with other facts. Tackling it only considering the spatial relationship, although this approach is an important characteristic of geography in general, does not correspond to researchers' requirements in tourism management. Thus, neither the dynamic and evolution in time of facts, nor the analysis of connections or causality relationships within a system can be forsaken.

Banat is a territory with ancient inherited structures, constantly renewed by the succession of influences and dominations that it was subjected to throughout history. The identity of Banat is conveyed, paradoxically, by its capacity to assimilate values of different origins and harmonize them into a composition where, although the initial nuclei lose their clear shapes, scarcely it happens that they be integrally "blended in" as to form a homogenous mass. The reverence for the other's specificity is a long-ago set rule, which is confirmed by the lack of intercultural tensions in an area traditionally characterized by an extraordinary entwinement of nationalities, religions, customs, mindsets and internal organization. All these formed powerful arguments for developing tourism in Banat, inheritor of a multicultural material and spiritual patrimony of high value, not yet popular and included in the national and international travel circuits.

2. Presentation of specialty literature

In specialty literature, tourism is described as a solution to all economic issues of a country or region, being simultaneously responsible for balancing the payments scale as private equity generator in numerous industries (Neacsu *et al*, 2016, p. 14). As a result of the current economic environment instability, travel agencies are determined to organize themselves in a new fashion, while searching for management methods in order to control a potential crisis context, which turns up current existing theories. An important characteristic of all modern approach is the idea according to which all resources, both natural and especially human must be directed towards achieving organizational objectives. As social and economic phenomenon, tourism starts to be enhanced in Europe as of 1880, in 1905, in the modern significance of the term, being firstly defined as a phenomenon of our times based on the increased necessity to improve the state of health and change the scenery, on the development of the feeling of openness toward natural beauty

(Guran, 2015, p.7).

Through its offer, tourism capitalizes on the human, natural, cultural and climatic potential which is rendered as a territory's richness only if the numerous and various public and private actors contribute to its creation, promotion and development as well.

As the tourism economy grows in a much more alert rhythm than other economies, it determines the emergence of certain issues with positive or negative impact on the environment, material or non-material patrimony and local population. The major decisions regarding the intervention manner to solve this kind of problems as well as the future predictions for the industry's development must be made by the state authorities only subsequent to consulting and partnering with all stakeholders including the affected stakeholders.

Tourist potential has two components and is defined as the total of the attraction factors pertaining to the natural or artificial environment capitalized by way of tourist arrangements producing tourist flows of internal and international character moving toward destination areas where tourist products resulted from a potential and its set-up, are being consumed (Dinu, 2005, p.47).

3. Research methods used

Research in view of documenting this work was conducted within the main tourist areas in the Banat Mountains, especially the Nerei Gorges. The data were processed also based on surveys and group discussions held with the accommodation unit managers. At the basis of the research there stood: the National Rural Development Programme 2014-2020, The Common EU Agricultural Policy, the Sustainable Development Strategy regarding the mountainous area as well as the current legislation with its regulations on classifying travel structures. The methodology approached started from an initial phase to identify, select and evaluate heritage values as well as other elements of interest for the cultural tourism. In the second phase the strategic proposals for cultural tourism development in Banat were elaborated.

For the research conducted, two public consultations were organized with the purpose of identifying the groups interested in developing cultural tourism in Banat – public authorities, travel operators, cultural institutions, active NGOs in the cultural or travel field; of unfolding an x-ray on the field's current state in view of existing obstacles investigation in the direction of developing tourism in general and cultural tourism in particular; of identifying and harmonizing the potential directions of cultural tourism in Banat. The sociologic investigation was applied to participants with the purpose of assessing respondents' perception on the current tourist activity in Banat and the cultural tourism development potential within the region. Respondents were randomly designated being representatives of the cultural institutions, travel operators, local authorities and active NGOs in the tourism field of Banat region.

4. Tourism forms practiced in the Banat mountainous area

In Romania, the action of factors such as the input, significance and place that tourism must occupy in the state economic development is not completely acknowledged. Thus, only in 2007, in the Master Plan for National Tourism Development in Romania 2007-2026 do they observe the absence of a general policy for the industry's direction and guidance, document through which the Government wanted to set the basis for a sustainable approach for the Romanian tourism development. Achieving the Government's declared challenge determined that the drafted Master Plan have as immediate objective the creation of a general policy framework for the tourism industry's sustainable development and management in what regards the natural and cultural resources (World Tourism Organization, 2007, p. 1). It is important to highlight that the Master Plan anticipated the existence of a few future benefits for the population through tourism development, benefits that may be achieved by enhancing the cultural patrimony preservation and development. A few statistical data from the Master Plan show the serious underdevelopment of tourism in our country. In this regard, we consider that the structure and input of the cultural area for the tourism development are important to be acknowledged. The immovable cultural heritage

quantified in the national list of historic monuments is represented by over 30000 monuments out of which 6614 consist of objectives of national and international interest. The list shows that neither Timis County nor Caras Severin County are among the counties with the highest concentration of historical monuments and unfortunately, neither of the seven tourist objectives or areas included in the UNESCO global heritage are located in Banat.

The tourist potential of an area can be defined by the class of elements that might represent tourist attractions and that can be set-up for tourists' visit and welcoming. The tourist attraction concept expresses the emotional and cognitive-aesthetic side of the tourist potential elements which influence certain industries of the tourism demand through the impressions generated and the tourist resources include beside the natural or artificial tourist attractions the entire infrastructure and specific amenities that can be capitalized directly into traveling activities. According to the conditions offered by each locality or rural area but also as per the motives tourists have when traveling to rural localities, as tourism forms within the rural environment we can distinguish: cultural and heritage tourism, cultural-religious tourism, balneary tourism (for health recovery or preservation), business tourism, adventure tourism, rest and relaxation tourism, transit tourism, and last but not least winter sports tourism and hunting and fishing tourism.

To continue, considering the natural and artificial tourist resources, we will present the rural tourist potential of the Banat Mountains region classified as per the forms that we still consider to be in progress.

4.1. Natural tourist potential of Banat Mountains

Situated at the connection line between the Carpathian area and the Pannonian region and subjected to the far Mediterranean climate influence, the natural environment of Banat stands out through its complexity, diversity and uniqueness. Human print is evident and specific, especially marked by the interventions due to landscaping works, which started even from the XVIII century in an organized manner and subsequently continued. Nature was altered both in the mountainous space, by erecting new buildings, underground resources capitalization and exploitation but also particularly in the plain regions exposed to large remedy hydro-works.

These allowed habitat expansion, agricultural crops extension and led to the reduction of primary natural scenery. Banat yet preserves a series of singular areas slightly affected by human intervention which contributes to the biodiversity preservation and represent tourist attraction objectives.

The natural tourist potential in the Banat mountain area includes countless significant tourist attractions: the Danube gorge with its Big Boilers, Anina Karst Area, the Gorges and tourist attractions of Semenic, Nerei Gorges, Carasului Gorges, Aninei Mountains, Semenic Mountains, Comarnic Cave, Popovat Cave – speleological reservation, Valea Mare Reservation – floristic reservation.

The assessment of natural background, protected areas and green spaces brings highlight on the following impactful arguments underlying natural tourism development in Banat:

- The diversity in natural mountain, field and plain landscapes and the presence of countless complex stunning local views shape a group of typologically diverse objectives spatially concentrated and with high potential for tourist attraction; karst relief areas in particular and sub-Mediterranean mountainous landscapes stick out, respectively humid plain areas.
- The number and ample surface of national parks, parks and natural reservations, typological diversity and structural lushness of the protected natural zones contribute to maintaining natural balance, preserving biodiversity and stir up the nature lovers' interest.
- Preservation of traditional cultural values, biological diversity and original landscapes within natural parks produces a unique symbiosis with high attraction potential for cultural tourism.

Capitalization of these resources is reinforced by the existence of close important poles related to touristic demand (Timisoara, Craiova, Belgrade, Budapest, Bucharest etc.) but it depends on the smooth organization of local communities aiming internal and international visibility and accessibility for the Banat tourist area.

4.2. Cultural-religious tourist potential

In regard to cultural museum institutions, in 2017 in Romania, there were roughly 740 museums and public collections out of which 28 of national significance, 14 of regional significance and 41 of county significance. According to a study carried out by a group of experts in Timis and Caras-Severin counties there are 33 museums, collections, memorial exhibits and memorial houses of a larger or smaller significance, scattered throughout the entire said area (Aciu, 2009, p.15).

Heading toward the Banat mountainous area, that is Lugoj-Faget-Marginea, we are welcomed by a picturesque landscape - the area is called 'Bucovina Banatului' due to the small wooden churches built here, churches that witnessed the unfolding of history and unique techniques used hundreds of years ago. The most significant of these are: Topla, Margina, Grosi, Capat, Zolt, Povergina, Curtea, Nemtesti, Batesti, etc. These churches embody samples of architecture and painting that may be connected to the Romanian post-Byzantine tradition characterizing the surrounding regions (Transylvania, Oltenia, Muntenia) or even to the tradition of some neighbors such as Serbia. Most of the wooden churches date back to XVII and XVIII centuries; their list may be completed based on the inscriptions or notes scribbled on the walls, religious paintings or books. At present, there are 23 more wooden churches within the Timisoara Archiepiscopate and 2 more in the Caransebes Episcopacy. Monasteries are aeries where Christians search for inner peace, places of breathtaking beauty set in unsurpassed scenery, as the case of Calugara Monastery in Caras-Severin County, Izvorul lui Miron Monastery (or else called Balta Calda (Warm Pond) after the hot water spring flowing here) or Saraca Monastery in Timis County. The complex in Rudaria, through its singularity, antiquity and its spectacular quality of still being operational could stand alone as a key tourist attraction of Banat.

The itineraries pilgrims use are essential as they are not pursuing the shortest or easiest roads. They look for a circuit sprinkled with crucial sanctuaries, a devotion itinerary; the road is determined by the consistence of the supernatural (Deffontaines, 1996, p.56). In the orthodox tradition, beside consistence, also paramount is the intensity manifested in that place by a miraculous religious painting, relics or a person who lived as a saint. The essential element toward which the attention of all pilgrims is focused is the religious painting or the Saint's relics, in the eastern tradition or the Saint's statue in the western one.

Capitalization of the Banat cultural heritage via cultural and religious tourism encounters at present multiple hurdles caused not only by the above mentioned aspects but also by the lack of modern accommodation and alimentation conditions and a viable infrastructure as well as access roads, parking lots, sanitary structures. The lack of a specialized staff who could handle the monuments together with the absence of promotion are the main weaknesses in the tourism maximization of this highly diverse and rich heritage built.

These conditions impose new measures to limit the negative impact these factors bring and which, in the near future, will allow the protection, reconditioning and maximization of the Banat patrimony through cultural tourism at a national and international level..

4.3. Ethnographic and folklore potential

These zones offer a large array of ethno-folkloric attractions for potential tourists from traditional arts and crafts to the traditional celebrations, from customs to cultural events already adopted as traditions. Mountainous regions in Romania and particularly in Banat deserve a special attention and a political strategy at the European Union level from social, economic and ecological reasons. We could not even imagine contrasting the mountain regions with other categories of areas that are sensitive from an economic standpoint, like those less developed or the rural ones or sensitive areas from an ecological perspective.

All these areas need an attentive assessment of impacts and necessary adjustments, and adequate answers in regard to potential development, environmental protection and cohesion preservation at the E.U. level. Also, not all mountain areas are in the same natural, social and economic conditions. Some have tougher physical conditions than others; some are richer while others are poorer. Any strategy at the E.U. level should be flexible enough to adapt to this kind of diversity in compliance with the subsidiarity principle.

The economic development patterns of this time were ignorant to the fact that some natural resources are exhaustible and that the environment must be kept healthy for future generations. They led neither to ensuring equality between human beings nor to similar material, social and cultural conditions for human development. Due to these findings, the development crisis was defined as the rupture between the accumulation process and the assembly of spontaneous regulation mechanisms and social rapports regulation procedures, on the one hand, and the human-nature relationships, on the other hand (Harribey, 1998, p.6). Acknowledging this crisis made modern societies take measures in order to find a new development road as there was the possibility of destroying not only the environment but also our future.

Tourist maximization of the regional cultural heritage must be a consistent preoccupation of the authorities and experts involved in these cultural domains. The results thus yielded could be outstanding and beneficial on multiple levels: cultural, touristic and financial.

5. Recommendations proposed for the Banat tourist potential improvement

Based on research conducted, the SWOT analysis was carried out for the tourist potential in the Banat mountain area, illustrated in table 1.

Table 1 SWOT analysis for the tourist potential in the Banat mountain area

Strengths	Weaknesses	Opportunities	Threats
-existence of the	-high degree of pollution	-setting information and	-monuments, museums
mountainous area with a	(ferrous metallurgy,	promotion campaigns for	and memorial houses
developed tourist potential;	thermal plants, gold and	rural tourism and	damage;
-existence of natural parks	silver manufacturing	agritourism;	-existence of poorly
with stunning views,	centers);	-extending foreign	informed investors with
protected by law;	-few waste collection	investments for the	little knowledge of the
-mountain treks and trails	centers;	tourism in the area;	tourism carried out in the
signaled with information	-lack of funds for	-promotion of specific	area;
and guiding signs;	reconditioning Culture	products in the region;	-excessive deforestations
-existence of numerous	and Community Centers	-training classes for	may affect some tourist
gorges and caves;	and historical monuments;	employees from tourism	areas;
-promotion of tourism at	-tourist signs damage;	field;	-low level of education in
international level;	-poorly maintained roads	-integrating the area in	the rural area;
-developed hydrographic	and non-accessible;	national and international	-migration toward cities
network;	-low tourist education	travel circuits;	and sending traditions and
-existence of countless	regarding environmental	-developing mountain and	customs into oblivion;
accommodations (bed and	protection;	remote rural areas using	-a threat may come from
breakfast, hotels, cabins);	-insufficient knowledge of	European funds;	foreign neighbors who
-rural tourism and cuisine	people working in tourism	-developing more trekking	may offer travel services
development;	in relation to tourist	tours.	for Romanian tourists at
-countless (historic,	resources, objectives but		affordable prices.
cultural and folkloric)	also notions necessary in		
heritage objectives.	the said field;		

Source: Author

This analysis indicates that the regional cultural heritage tourist potentiation must be a permanent preoccupation of the authorities and experts involved in these cultural fields. The results thus obtained may be spectacular and beneficial on multiple plans: cultural, tourist and financial. Paralleled with intensification of formal concerns about the environmental balance and citizens' standards of living, in reality there takes place the mitigation of local cultural landscape originality and authenticity. The imperfect replicas of indigenous landscaping and region equipping models yet insufficiently adapted to the area's specificity are propagated.

From the natural resources tourist capitalization standpoint, a negative effect is also given by the demographic decline of most of Banat, especially the mountainous Banat, where the natural landscapes with the highest attraction potential are concentrated. If the demographic pressure decrease may add a sense of balance in nature's favor, it is not beneficial to tourist capitalization as it reduces entrepreneurship spirit, discourages investments and cuts on the available tourism labor force.

A poise approach of the natural potential-cultural impact-tourist capitalization relationship must allow for the need for knowledge, conservation and preservation, systemic action for a sustainable development. In cultural tourism, visitors search for authenticity, especially when it comes to nature, but they cannot forsake modern life conditions. It's there where it lies the main difficulty for the cultural tourism organizers: to originally and attractively intertwine the wild nature authenticity with the need for comfort, namely objectives value with the modern tourist's need for diversity and playfulness.

At the core of the recommendations we suggest for the tourist potential development in Banat Mountains, there are two fundamental principles:

- Cultural heritage capitalization through tourism must be cautiously made.
- Developing cultural tourism in Banat must be a permanent concern for all stakeholders from the political, administrative, economic, cultural environments, civil society and population.

Recommendations proposed started from the necessity to maximize Banat heritage uniqueness, attractiveness and multiculturalism. In this regard the following major strategic objectives were defined:

- Developing cultural tourism in Banat must be a permanent concern for all stakeholders from the political, administrative, economic, cultural environments, civil society and population.
- Enhancing the cultural patrimony as the defining element of Banat area multiculturalism and attractiveness;
- Improving public's access to the local and regional patrimony values.

These conditions impose new measures to limit the negative impact these factors bring and which, in the near future, to allow the protection, reconditioning and maximization of the Banat patrimony through cultural tourism at a national and international level.

6. Conclusions

To sum up, regarding the heritage potential built up in Banat along history, we can assert that it is one of the largest and most diverse in the country. Highlighting, reconditioning, preserving and capitalizing this potential has been and continues to be a permanent concern of experts, and lately of local authorities as well.

The results of the research conducted allowed the elaboration of a SWOT analysis whose components led to the supposition that within the near timeframe, the tourist unit performances management in the mountain areas will progressively develop and the performance-based compensation mechanisms will possess a strategic importance. On their basis, the organizational structure of the economic agents involved will be reshaped to align the mountain tourism needs and available resources as best as possible.

The holistic approach, in an original process of the interaction between the natural resources strategic management and activities specific to mountain tourism concluded into proposing some organizational improvement methods so that the public could access local and regional heritage values thus the result being the Banat region capitalization as tourist destination.

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The Evolution of the Largest Central and Eastern European Companies in the Period 2015-2017

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Abstract

Worldwide, there is a constant pursuit to develop particular regions, either strategic or following old economic power poles. Such an environment is based on mutual aid and exchange that increases the likeliness of an economic power conglomerate to thrive, increasing general welfare. The Central and Eastern European region registered an economic boom in the last period, thus helping companies reach higher turnover levels and manage to achieve higher global competitiveness.

The aim of the paper is to portray the evolution of the Central and Eastern European region's largest companies in the period 2015-2017 by using the turnover criteria. The methodology used is quantitative and based on the research of secondary sources such as articles and reports. The findings show an improving situation in the advancement of the companies from the analyzed region.

Key words: Central and Eastern Europe (CEE), turnover, company, country, rank

J.E.L. classification: F00

1. Introduction

In the Central and European (CEE) region, important and very complex socio-economic processes occurred in the transition from a centrally-planned economy with a communist regime "towards a free-market economy and democratic society" (MacLullich and Gurău, 2004, p.1). In such a period when the "establishment and growth of new enterprises is central to the transition process" (Estrin, Meyer and Bytchkova, 2005, p.2), also implying a reallocation of resources in which the main actors are the new firms (Olson, 1992, p.71). In the past years, the CEE region's development path showed that the countries "returned to Europe and with the accession to the European Union their economies deeply integrated into the European internal market" (Chen, 2012). This shows the importance of the role companies play in the region's development.

The aim of the paper is to illustrate the evolution of the largest companies from the Central and Eastern European region in the period 2015-2017 by using the turnover criteria. The remaining sections of the paper are methodized as follows: the second section is focused on displaying the methodology used; section 3 is specific for the literature review; section 4 shows the findings of the research and the paper ends with the authors' conclusions.

2. Methodology

In order to reach the research objective, the authors used a quantitative research methodology. The information used in order to analyze the situation of the first ten companies in the CEE region comes from sources of secondary data, such as books, articles and reports. The literature review was carried out using electronic databases.

3. Theoretical background

The focus of the paper is put on the COFACE Publications' CEE Top 500 Ranking and, implicitly, on the evolution of the top ten companies within the region by their turnover in the years 2015, 2016 and 2017. The report is published on an annual basis and the year 2018 marked its 10th anniversary in providing useful data that highlights the region's economic development. This project conducted by the Coface offices in Central Europe includes the largest companies (with a turnover of at least EUR 300 millions) within the 12 countries analyzed (Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Serbia, Slovakia and Slovenia). There are some elements that could be considered weaknesses of the ranking, such as not taking into account financial service providers or the exclusion of some companies due to them refusing to provide financial results in time.

The Central and Eastern European region provides companies running in these emerging markets a favorable economic environment, evidence of this shown in this year's edition, where 143 companies managed to move up the ranking in 2017), the total turnover of the first 500 companies being EUR 652 billion (Coface CEE Top 500 Ranking, 2018. Even though we are pointing at economic development, there still is room left for improvement. In terms of ethics, this region "proves more and more that the CSR concept itself and its implementation at the level of strategies and processes does not automatically guarantee that the companies would operate in an ethical or responsible manner toward all stakeholders" (Remišová and Lašáková, 2014, p.913).

There is no doubt that the economic growth of a country (and, implicitly, of a region) is closely linked to a "dynamic entrepreneurship sector" (Trapczyński et al, 2016, p.26). That is why collaboration and (common) strategic policies and markets within a region are crucial, especially because most countries in the CEE region come have comparable political background and "hence also comparable opportunities of socioeconomic development" (Trapczyński et al, 2016, p.26).

4. Findings

This chapter focuses on the evolution of the main companies by turnover doing business within the Central and Easter European (CEE) region.

The CEE Top 500 Ranking by COFACE Publications is an annual ranking specific for the biggest companies operating in the CEE region, particularly from: Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Serbia, Slovakia and Slovenia. Playing an important part in the region's economic development, these companies have their role of contributors to general economic (and not only) welfare portrayed by the data within the CEE Top 500 Rank. The situation is as follows:

In connection to the first 10 companies according to their turnover, in 2015 (table no.1):

- Polski Koncern Naftowy Orlen S.A. (PKN Orlen) is the leader in Eastern and Central Europe, with a significant disparity of approximately 67% reported to its follower. Compared to the 10th company, the leader has a revenue more than three times bigger. A close situation in terms of close revenue is highlighted in between the 2nd and 3rd companies.
- The automotive & transport sector is the dominant one.

Table no. 1 The Coface CEE Top 500 ranking for the first ten companies in 2015

Rank	Company name	Country	Turnover	Main sector
			(Mil. Eur.)	
1	POLSKI KONCERN NAFTOWY ORLEN	Poland	20,717	Minerals, chemicals,
	S.A.			peroleum, plastics & pharma
2	GE HUNGARY IPARI ÉS	Hungary	13,914	Mechanics and precision
	KERESKEDELMI KFT.			
3	MOL MAGYAR OLAJ-ÉS GÁZIPARI	Hungary	13,259	Minerals, chemicals,
	NYRT.			peroleum, plastics & pharma
4	ŠKODA AUTO A.S.	Czech	11,651	Automotive & transport
		Republic		-
5	JERONIMO MARTINS POLSKA S.A.	Poland	9,206	Non-specialized trade

6	POLSKIE GÓRNICTWO NAFTOWE	Poland	8,552	Utilities & public services
	GAZOWNICTWO S.A.			
7	AUDI HUNGARIA ZRT.	Hungary	8,338	Automotive & transport
8	ČEZ, A.S.	Czech	7,776	Utilities & public services
		Republic		
9	VOLKSWAGEN SLOVAKIA, A.S.	Slovakia	7,227	Automotive & transport
10	PGE POLSKA GRUPA	Poland	6,694	Utilities & public services
	ENERGETYCZNA S.A.			

Source: Coface CEE Top 500 Ranking, August 2016

Poland is dominating the rank, with four companies amongst the top 10, followed by Hungary (with 3), the Czech Republic (2) and Slovakia (1) (figure no.1).

Figure no. 1. The geographical distribution of the ten largest companies from the Central and Eastern Europe in 2015



Source: Author's contribution

In connection to the first 10 companies according to their turnover, in 2016 (table no.2):

- Polski Koncern Naftowy Orlen S.A. kept its leading position from 2015, only now with a lower gap to its new follower: Škoda Auto. A fierce competition is easily noticeable when comparing to turnover of the companies ranked 5th through 8th.
- The automotive & transport sector is still the dominant one, followed by utilities & public services.
- GE Hungary Ipari és Kereskedelmi KFT exited the rank. Skoda climbed the ladder from the 4th to the 2nd place. Volkswagen Slovakia A.S. registered a substantial increase reaching the 5th spot from the 9th position in the rank.

Table no. 2 The Coface CEE Top 500 ranking for the first ten companies in 2016

Rank	Company name	Country	Turnover	Main sector
			(Mil. Eur.)	
1	POLSKI KONCERN NAFTOWY ORLEN	Poland	18,038	Minerals, chemicals,
	S.A.			peroleum, plastics & pharma
2	ŠKODA AUTO A.S.	Czech	12,876	Automotive & transport
		Republic		
3	MOL MAGYAR OLAJ-ÉS GÁZIPARI	Hungary	11,468	Minerals, chemicals,
	NYRT.			peroleum, plastics & pharma
4	JERONIMO MARTINS POLSKA S.A.	Poland	9,867	Non-specialized trade
5	VOLKSWAGEN SLOVAKIA, A.S.	Slovakia	7,587	Automotive & transport
6	AUDI HUNGARIA MOTOR KFT.	Hungary	7,554	Automotive & transport
7	ČEZ, A.S.	Czech	7,539	Utilities & public services
		Republic		
8	POLSKIE GÓRNICTWO NAFTOWE I	Poland	7,527	Utilities & public services
	GAZOWNICTWO S.A.			
9	PGE POLSKA GRUPA	Poland	6,370	Utilities & public services

	ENERGETYCZNA S.A.			
10	KIA MOTORS SLOVAKIA S.R.O.	Slovakia	5,566	Automotive & transport

Source: Coface CEE Top 500 Ranking, August 2017

Poland increased its dominating position from 2015, even though it still has 4 companies placed amongst the top 10 (figure no.2).

Figure no. 2. The geographical distribution of the ten largest companies from the Central and Eastern Europe in 2016



Source: Author's contribution

In connection to the first 10 companies according to their turnover, in 2017 (table no.3):

- Polski Koncern Naftowy Orlen S.A. kept its leading position from 2015, only now with a lower gap to its new follower: Škoda Auto. A fierce competition is easily noticeable when comparing to turnover of the companies ranked 5th through 8th.
- The automotive & transport sector is still the dominant one with a total of 101 companies throughout the rank, followed by utilities & public services.
- Čez A.S. and Kia Motors Slovakia S.R.O. exited the top 10 rank whilst Grupa Lotos S.A. and Eurocash S.A. are the new entrants in the top 10 companies by revenue in the CEE region.

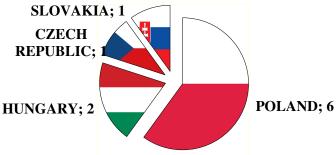
Table no. 3 The Coface CEE Top 500 ranking for the first ten companies in 2017

Rank	Company name	Country	Turnover (Mil. Eur.)	Main sector
1	POLSKI KONCERN NAFTOWY ORLEN S.A.	Poland	22,831	Minerals, chemicals, peroleum, plastics & pharma
2	ŠKODA AUTO A.S.	Czech Republic	15,970	Automotive & transport
3	MOL MAGYAR OLAJ-ÉS GÁZIPARI NYRT.	Hungary	13,309	Minerals, chemicals, peroleum, plastics & pharma
4	JERONIMO MARTINS POLSKA S.A.	Poland	11,531	Non-specialized trade
5	POLSKIE GÓRNICTWO NAFTOWE I GAZOWNICTWO S.A.	Poland	8,584	Utilities & public services
6	AUDI HUNGARIA ZRT.	Hungary	7,550	Automotive & transport
7	VOLKSWAGEN SLOVAKIA, A.S.	Slovakia	7,549	Automotive & transport
8	GRUPA LOTOS S.A.	Poland	5,790	Minerals, chemicals, peroleum, plastics & pharma
9	EUROCASH S.A.	Poland	5,571	Non-specialized trade
10	PGE POLSKA GRUPA ENERGETYCZNA S.A.	Poland	5,530	Utilities & public services

Source: Coface CEE Top 500 Ranking, September 2018

Poland increased its dominating position from 2015, even though it still has 4 companies placed amongst the top 10 (figure no.3).

Figure no. 3. The geographical distribution of the ten largest companies from the Central and Eastern Europe in 2017



Source: Author's contribution

Throughout the three years the analysis is based on, there are companies amongst the top 10 by revenue in the CEE region belonging to only four countries: Poland, Hungary, Czech Republic and Slovakia. Poland is the leading country, not only by the number of companies but also through the leader of the rank, Polski Koncern Naftowy Orlen S.A.; this company is particularly showing a great disparity to its follower. MOL Magyar Olaj-És Gázipari kept their third place as well from 2015 to 2017. Škoda Auto A.S. is a noticeable mention due to its success in maintaining the runner-up position in 2017 and 2016, climbing up the ladder from its 4th place in 2015. Eight companies in the CEE region managed to remain within the top 10 by their turnover: Polski Koncern Naftowy Orlen S.A., MOL Magyar Olaj-És Gázipari NYRT., Škoda Auto A.S., Jeronimo Martins Polska S.A.., Polskie Górnictwo Naftowe i Gazownictwo S.A., Audi Hungaria ZRT., Volkswagen Slovakia, A.S. and PGE Polska Grupa Energetyczna S.A..

5. Conclusions

Even though there is focus on the research based on top companies at an international level, according to the principle "think global act local" in academics, a ranking such as he CEE Top 500 Ranking by COFACE Publications is of great importance to a regional analysis.

The paper shows that the CEE region is developing in terms of economic welfare, companies running in this area proving to be relevant economic engines. The leading firms by revenue from this are belong to four countries (Poland, Hungary, Czech Republic and Slovakia) even though the rank is comprised of twelve countries. Polski Koncern Naftowy Orlen S.A. (Poland) is the major player, managing to maintain its leading position in the period 2015-2017 and a noticeable amassing of wealth is highlighted for the first 3-4 main actors.

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Strategy of the Air Transport Development in the Dobrogea Region

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Abstract

Air transport in Romania is far behind in other EU countries, even if the demand for this type of transport is steadily increasing. A special situation is the air transport in the Dobrogea region, which is far behind the other regions of the country. In this paper an analysis is made of the situation of passenger transport and cargo transport in the counties of Constanta and Tulcea. In the current context of increasing demand for air transport, a number of strategies and measures are needed to develop air transport in this part of the country

Key words: transport, passenger, freight, airport, development

J.E.L. classification: O18, R42

1. Introduction

Air transport in Romania had significant increases from year to year. On the one hand, the large number of Romanian citizens works abroad, especially in Western European countries using air transport, and on the other hand, the number of foreign tourists coming to Romania increased annually. Bucharest, through the international airport "Henry Coanda", is the city attracting the largest number of passengers, over 50% of the total registered annually (MT, 2015). Romania has a total of 21 airports, but 7 of the airports in the country do not have regular flights. According to the provisions of the Romanian Master Plan of Transport: "The development of air transport infrastructure in Romania aims to provide regional centers to ensure a rapid transport to Bucharest, together with other regional centers. Air transport also aims to ensure international connectivity".

Besides the documents of the Ministry of Transport, there are no other scientific papers on the transport situation in the Dobrogea region. The specialized literature refers vaguely to the strategies for the development of air transport in Romania, and in a single scientific article a reference is made to the development of the airport in Brasov (Tomescu et al., 2012), and in a doctoral thesis is presented strategies for the development of transport connections in the Transylvania region (Oprea, 2012).

The objective of the research is to know the situation of the Dobrogea airports and to develop a strategic model for the development of air transport in this region.

2. Research methodology used

The research for this paper began studying the documents issued by the Ministry of Transport, official documents of airports in Dobrogea, projects and programs of the Constanta and Tulcea County Councils. I went on to visit the three airports and gather information on the spot. After obtaining the first information and data, I studied the specialized papers published in Romania. In the last step I selected and synthesized the information and the data obtained in order to be concentrated in this paper. The methodology used consisted in systematic and consistent study of the principles governing air transport investigation and research. The research method used is the "transfer of concepts", consisting in the acquisition of programming documents (from the Ministry of Transportation), those elements important to study and then transfer in regional development.

3. Air Transport Infrastructure in Dobrogea

The Dobrogea region, one of the most important and rich regions of the country, is not developed from the point of view of the air transport infrastructure. In the two constituent counties, Constanta and Tulcea, there are two airports and one aerodrome. But so, they are not developed at the level that would allow the use of all the economic, tourism, and human resources of the region. The air transport infrastructure in Dobrogea currently consists of the following objectives:

a). "Mihail Kogalniceanu Constanta International Airport" is a joint stock company with state capital, based in Mihail Kogalniceanu, Constanta County, subordinated to the Ministry of Transports and administers the airport in this locality. The company was set up in accordance with the provisions of the Government Decision No. 523/1998, updated by the reorganization of the Autonomous Administration "Constanta - Mihail Kogalniceanu International Airport" (GD, 1998), (SNS, 2008). The object of the activity is the performance of services, works, exploitation, maintenance, repair, development and modernization of property in its property or concession in order to ensure the conditions for the arrival, departure and handling of aircraft in national and international traffic, the provision of airport services for the transit of persons, commodities and post and other services of national public interest. As can be seen from this brief presentation, there are not many commercial activities at the airport, I think it is not at the expected level for an airport in this important area of Romania. A very important aspect is the connections at Mihail Kogalniceanu Airport, with cities from abroad and from the country. Destinations of aircraft departing from this airport in 2018 are shown in table no. 1.

Table no. 1. International and internal connections of Mihail Kogalniceanu airport

Destination	Number of rac	es (round-trip)	Airline	Operating period
	Day	Week		
Istanbul	2	4	Turkish Airlines	29.10.17-20.03.18
	2	4	Turkish Airlines	01.11.17-23.02.18
	2	8	Turkish Airlines	25.03.18-28.10.18
Milano	2	2	Blue Air	06.06.18-26.09.18
	2	2	Blue Air	03.06.18-30.09.18
London	2	4	Wizzair	29.10.17-21.03.18
	2	4	Wizzair	25.03.18-26.10.18
	2	4	Wizzair	26.03.18-24.10.18
Paris	2	2	Blue Air	02.06.18-29.09.18
	2	2	Blue Air	06.06.18-26.09.18
Bruxelles	2	2	Blue Air	01.06.18-14.09.18
Cluj Napoca	2	4	Blue Air	15.06.18-16.09.18
	2	2	Blue Air	01.07.18-31.08.18
Oradea	2	2	Blue Air	18.06.18-10.09.18
	2	2	Blue Air	21.06.18-13.09.18
Timisoara	2	2	Blue Air	15.06.18-14.09.18
	2	2	Blue Air	17.06.18-16.09.18
	2	2	Blue Air	18.06.18-10.09.18

Source: Author's study from S.N.S. "Mihail Kogalniceanu Constanta International Airport" SpA.

As it can be seen from Table 1, at Mihail Kogalniceanu Airport departs and lands this year, a very small number of 28 aircraft, which take back flights, operated only by 3 airlines. Equally interesting is that in the winter period, between November and March, the number of aircraft reaching Mihail Kogalniceanu is very small, that is, four aircraft connecting Constanta with Istanbul and London alone. Thus, practically the Mihail Kogalniceanu airport does not contribute to air transport, and Constanta is only theoretically on the national and international air transport map, being considered a "smaller regional" airport, as can also be seen from Figure 1.

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Figure no. 1. Location and classification of airports in Romania

Source: Ministry of Transport, Master Plan of Transport of Romania

In Romania, in terms of the number of passengers crossing Mihail Kogalniceanu airport, it is ranked 10th, much behind the airports in much smaller cities, such as Bacau, Tirgu-Mures or Sibiu, according to the inscribed data in Table 2, (MT, 2015). Table 2 presents the situation of internal flights at Mihail Kogalniceanu Airport in 2017 (NIS, 2018).

Table no 2. Number of passengers registered in domestic and international traffic in 2014

AIRPORT	PASSENGERS INTERNAL	PASSENGERS INTERNATIONAL	PASSENGERS TOTAL
Constanta M.K.	360	29.076	29.436
TOTAL ROMANIA	1.017.577	10.626.669	11.644.246

Source: Ministry of Transport, Master Plan of Transport of Romania.

Table 3 shows that most passengers who took off from Mihail Kogalniceanu Airport went to Cluj-Napoca, Timisoara, Oradea and Iasi.

Table no. 3. Situation of domestic flights in 2017 at Mihail Kogalniceanu Airport

FLIGHT DESTINATION	I I	REGULAR FLIGHTS			EGULATED FLIC	GHTS
AIRPORT	NO. FLIGHTS	NO. PASSENGERS	GOODS (POST)	NO. FLIGHTS	NO. PASSENGERS	GOODS (POST)
Arad	-	•	-	1	1	-
Bacau	-	•	-	1	2	-
Cluj Napoca	27	2.820	-	1	2	-
Iasi	13	634	-	3	12	-
Oradea	13	1.141	-	-	-	-
Otopeni "Henri Coanda"	-	-	-	11	14	-
Suceava	-	•	-	9	10	-
Timisoara	27	2.555	-	-	-	-
Tulcea	-	-	-	2	2	-
Total national transportation	18.267	1.365.522	174	837	4.029	89

Source: Author's study, N.I.S. "Carriage of passengers and goods by air in 2017".

b). Airport Autonomous Administration "Danube Delta" Tulcea. Tulcea Airport is organized as an autonomous directorate, subordinated to the Tulcea County Council. The object of activity is the provision of services to passengers and aircraft (NIS, 2018). The facilities offered to passengers refer to the following: "handling" for passengers and luggage; terminal departures; arrival terminals; airfield with a capacity of 120 passengers/hour; a regrouping salon with a capacity of 40 passengers; salon V.I.P. with a capacity of 20 passengers; bar. It also offers a range of facilities for people with reduced mobility. Regarding aircraft, the airport provides: aircraft fueling, the "JET A1" (100 tons) and "AvGas100LL" aviation gasoline (capacity of 30 tons). Table 4 shows the number of passengers registered in 2014 at Tulcea airport (AADD, 2018). Table 5 shows the situation of internal flights from Tulcea airport in 2017 (NIS, 2018).

Table no. 4. Number of passengers registered in domestic and international traffic in 2014

AIRPORT	PASSENGERS INTERNAL	PASSENGERS INTERNATIONAL	PASSENGERS TOTAL
Tulcea	252	861	1.113
TOTAL ROMANIA	1.017.577	10.626.669	11.644.246

Source: Ministry of Transport, "Master Plan of Transport of Romania".

Table no. 5. Situation of internal flights at Tulcea airport in 2017

FLIGHT DESTINATION	REGULAR FLIGHTS			UNREGULATED FLIGHTS		
AIRPORT	NO. FLIGHTS	NO. PASSENGERS	GOODS (POST)	NO. FLIGHTS	NO. PASSENGERS	GOODS (POST)
Craiova	-	-	-	1	1	-
Iasi	-	-	-	1	1	-
Constanta	-	-	-	1	1	-
Otopeni "Henri Coanda"	-	-	-	2	1	-
Suceava	-	-	-	5	5	-
Timisoara	-	-	-	1	2	-
Total national transportation	18.267	1.365.522	174	837	4.029	89

Source: Author's study, I.N.S. "Carriage of passengers and goods by air in 2017".

As can be seen from Table no. 5, in 2017 there were no regular domestic flights, from the major cities of the country to Tulcea. The fact that official documents provide little information about this airport is relevant to understanding its lack of importance.

c). Tuzla Airport. Tuzla Airport, known as Tuzla Aerodrome "Alexandru Podgoreanu", from Tuzla, Constanta County, was founded in 1967, initially as a utility aviation station for sick transport missions, biological material, specialists, surveillance agricultural activity with specialists. The airport has an area of 36 hectares, 2 tracks on grass, 4 heliports, a 1200 sqm hangar, three administrative buildings, two passenger terminals, and a 200,000-liter fuel storage facility. From this airport can fly commercial and helicopter aircraft, day and night. For the night flight, there is a heliport light beacon. The airport is owned by the company "Regional Air Services", which took over it in 1998 from "Aviation Utility" S.A. (RAS, 2018). From this airport, the company provides avio-chemical services for agriculture, aerial surveillance and advertising, aerotaxi, air ambulance, recreational flights, organizes courses for obtaining the private pilot license and parachuting courses. For the flying school and the survival school at sea, the unit is equipped with a "B 732 series 300" simulator for on-board ground training, a fire simulation training and self-rescue training simulator, a flight simulator of type "FNPT II". The situation of passengers transport at Tuzla airport is presented in Table 6.

Table no. 6. Number of passengers registered in domestic and international traffic in 2014

AIRPORT	PASSENGERS INTERNAL	PASSENGERS INTERNATIONAL	PASSENGERS TOTAL	
Tuzla	20.813	0	20.813	
TOTAL ROMANIA	1.017.577	10.626.669	11.644.246	

Source: Ministry of Transport, Master Plan of Transport of Romania.

In recent years, "Alexandru Podgoreanu" Airport in Tuzla has had a positive evolution, reaching the second place in the ranking of Romanian airports. According to official data of the "Romanian Airport Association", in 2016 and 2017, Tuzla airport ranked second, after Otopeni Airport, in the national air movement rankings (AAR, 2018). The number of movements is one of the most important units of measurement, an indicator of the current activity volume and the degree of use of the airport infrastructure. From the program documents of the Ministry of Transport, in the next period it is estimated that "the airports in the future national network in Romania will be in the four categories" (MT, 2015). Current categories considered by the Ministry of Transport are: international strategic airport, major international airport, international airport, regional international airport, small regional airport and aerodrome. Hence, it is hoped that only 4 kinds of airports will remain in Romania. From these documents we extracted the situation of the three airports in Dobrogea, as shown in Table 7. From this table it is noticed that Constanta airport has an international strategic positioning. This is due to the use of the airport by the North Atlantic Treaty Alliance (NATO). Tulcea is considered a regional airport and Tuzla is an aerodrome.

Table no. 7. Classification of Dobrogea airports

AIRPORT	CATEGORY	TRAFFIC % PERFORMED IN THE LAST TIME
1.ConstanTa	International Strategic	40 %
2.Tulcea	Small Regional	40 %
3.Tuzla	Aerodrome	50 %

Source: Ministry of Transport, Master Plan of Transport of Romania.

4. Proposals on air transport development strategy in Dobrogea

From the documents studied and referred to in this paper, it results that the air transport sector in the Dobrogea region is insufficiently exploited. There is an infrastructure that can be used to develop air traffic, but the total figures are negative, indicating that the current airports are underexploited. The evolution of the airport sector and the direct influences of air transport on airports depend on the development of airport infrastructure, which has a direct impact on the development of adjacent areas and the ecosystem. From the study of the documents about Constanta and Tulcea airports, a number of negative aspects resulted:

- -They are used far below their exploitation capacity.
- -The number of contracts concluded with air navigation and tourism companies is very small.
- -The ministerial strategies are inconclusive, vague, do not foresee real measures to increase the activities, to develop the air infrastructure in Dobrogea.
 - -At county level, County Councils have no plans to develop this transport segment.
- -Internet promotion is limited, the websites of the two airports have little, unattractive information, are not interactive, can not contribute to the development of air traffic.

In order to develop this transport segment in the Dobrogea region, a number of steps are required from all stakeholders. Those who can start to develop this transport segment are County Councils, Local Councils and City Halls of Constanta, Tulcea and Tuzla. They must do the following:

- -To develop projects for the development of air freight and passenger transport. The first administrative entity involved should be the County Council, which establishes the general framework and makes the project. The two county councils may initiate a joint project. It then involves airports, local councils and city halls of the three localities. Other settlements in the two counties may also be attracted, which have an important place in the tourism of the seaside and Danube Delta. Also, the Chamber of Commerce of Romania can be involved in the project through its county offices. It has direct economic links with economic agents.
- -To initiate the realization of ties and collaboration agreements with the tourism agencies operating on the seaside, with the tourism associations on the seaside and the Danube Delta.
- -To inform the national and international aviation companies that have regular flights to and from Romania to make internal and external connections from the two airports. And they must plan their public air transport operations, as a rule, on the basis of a transport contract concluded between the airline and the passenger, the travel agency, the freight forwarder or the mail. (Iordanoaia, 2017).
- -To inform the general public about the projects, connections and contracts made, air connections, attracted airlines and all the information needed to stimulate the departures and arrivals of persons from the two airports.

Local, national and international tourism agencies are the main beneficiaries of organizational measures needed to develop air traffic. They are the private economic agents who have tourism activity, the organization of trips and excursions. These private agencies have the main role:

- -To seek and find tourists interested in spending the holidays on the seashore and in the Danube Delta.
- -To direct the citizens of the two counties, to use the airports here, not to go to Bucharest to fly by plane.

Freight and courier companies can stimulate air transport from airports by concluding transport contracts with airlines to load goods and correspondence from the two airports.

5. Conclusions

In order to develop this type of transport, is important the first impetus, which may come from the County Councils of Constanta and Tulcea. They can jointly and separately develop public-private partnerships with economic agents from both counties, or from the country and abroad. For some of the air transport infrastructure development projects, European funds can be obtained. The European Regional Development Fund, the Cohesion Fund and the TEN T have been allocated around EUR 1.2 billion (the equivalent of 27% of the total amount), for airport technology investments and multimodal connections (for air traffic management infrastructure and airport-to-city connections) (ECA, 2014). Currently, European funds can be obtained from "Priority Axis 2 - Developing a Multimodal, Quality, Sustainable and Efficient Transport System" through "Specific Objective 2.3 - Increasing the Sustainable Use of Airports" (AGSFT, 2017). Just letting "demand" influence development, it is the rate of years of development. As the air traffic develops, the county and local authorities can initiate an additional project to build an airport in Mangalia. This would complete a complete cycle of air transport development and development in Dobrogea, with three airports and one aerodrome.

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Conditional Correlation on CEE Stock Markets

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Abstract

An investigation into the stock market convergence of Czech Republic, Hungary, Slovakia and Romania reveals that capital market correlation level has strongly increased after the EU accession. The present study evaluates stock market co-movements in Czech Republic, Hungary, Slovakia and Romania on the basis of multivariate generalized autoregressive conditional heteroscedasticity models. The diagonal BEKK model is also employed in analyzing the convergence of the selected countries' stock markets with those existing in the developed countries; the analysis encompassed the 2002-2012 timeframe. The empirical results indicate that the correlation of the four CEE stock markets are strongly influenced by two factors: their accession to the EU and the 2007-2008 financial crisis.

Key words: stock index returns, multivariate GARCH, conditional correlation, diagonal BEKK, financial crises

J.E.L. classification: G12, C58, C32, G01

1. Introduction

Fama theory (1970) describes stock market efficiency as being dependent on the speed and accuracy with which information is encapsulated in the prices of various financial instruments. The pre- and post-EU-accession market efficiency of Czech Republic, Hungary and Poland have been thoroughly studied by several scientific articles. Romania joined the European Union three years after the above mentioned Central Eastern European countries, so we can verify our hypothesis that joining the European Union has led to significant increase in conditional correlation with the other countries.

The study investigates market co-movements manifested by the European developed markets and the block of Hungary, Czech Republic, Poland and Romania. Empirical results confirm that correlational links of the CEE countries' stock markets varied over time depending on the global economic environment. Via observing asset returns fat-tailed distribution and the clustering behavior of volatility we managed to study a volatility spillover of the markets. We deployed the so-called MGARCH-BEKK model, a multivariate generalized autoregressive conditional heteroscedasticity model developed by Engle and Kroner.

2. Literature review

In the last 15 years and after the Asian crisis equity markets have become increasingly integrated in terms of asset pricing and asset trading in many developed and emerging countries. Amongst those markets, Euro area equity markets are an interesting subject of study due to the changes caused by the accession process. A great wealth of studies interpreted in terms of asset pricing the European equity market integration after the establishment of the Eurozone and the start of EU-accession process of Central and Eastern Europe. Co-movements between developed countries and Asian emergent markets were depicted using a diagonal VECH GARCH model by Karunanayeke et al. (2010), they pointed out that the Asian crisis and the 2008-2009 financial upheaval were associated with the growth of the volatilities of stock market indices. Moreover, the

authors could identify a presumable transmission of volatility from US towards South-Eastern Asian and Australia.

Xiao and Dhesi (2010) studied the transmission of volatilities and time-varying correlations between France, Germany, United States and United Kingdom in the period before the 2008-2009 global crisis. They based their research on the diagonal VECH, GARCH-BEKK and DCC models and concluded that France and Germany are rather strongly correlated, while UK acted as a volatility transmission channel between US and Europe.

The transformations of capital market return correlations were studied with Generalized Spectral Test for serial dependence by Escanciano and Velasco (2006) and also by Todea and Lazar (2012). Conditional correlation dynamics was also analyzed via cross-sectional dependence analysis by Harrison, Lupu and Lupu (2010) and with non-linearity test method by Karadigli and Donmez (2012). Nistor et al. (2012) and Harrison and Moore (2010) examined the changes in conditional correlation using an Engle-Granger causality test for short-term relationships and the Johansen cointegration model for long-term dependence. Stock return co-movements of developed and emergent European capital markets (2005-2012) were studied using MGARCH-BEKK and diagonal VECH models by Horvath and Petrovski (2012), they observed an increased level of correlation in the case of developed countries.

Correlations between Central and Eastern European emergent markets were analyzed by Dajcman and Festic (2012), they did not take into account the heteroskedasticity in the time series. The co-integration level of the developed countries is higher than in the case of the emerging countries. Romanian researchers Stoica and Diaconaşu (2013) concluded that the crisis did not affect the degree of financial market integration. They applied a generalized autoregressive conditional heteroscedasticity and a Value at Risk model for comparing stock market indices of nine European emerging markets with the performance of markets in four developed countries.

An asymmetric DCC-Garch model was used by Guido and Gupta (2010), Gjika and Horvath (2012) to analyze the co-movements of CEE markets in the period 2001-2011.

3. Data and methodology

3.1. Data

Four countries were selected for the study of the conditional correlation: three of them (Hungary, Slovakia and the Czech Republic) joined the EU in the first wave of 2004, Romania became EU member in 2007. The study period is January 2002 – June 2012, weekly returns (using Friday closing prices) were calculated. Stock returns of the selected countries were studied with cross correlation methods.

The comparison of variations in regional stock market returns with the stocks volatility of developed markets was based on the closing prices of the German market (DAX), United Kingdom (FTS), Austria (ATX), Greece (ASE) and the Morgan Stanley MSCI-indices provided by the Thomson Data Stream: EAFE – European developed market indices, EM – global emerging markets indices.

For the purpose of studying the dynamic variation of the average conditional correlation time series were split into four periods:

- 1. January 2002 April 2004 (before EU-accession of three country)
- 2. May 2004 February 2008 (before crisis)
- 3. March 2008 August 2009 (crisis period)
- 4. September 2009 June 2012 (post crisis period)

3.2. Methodology

In the modeling process of short-term correlations of stock indices a diagonal MGARCH-BEKK method was applied. The MGARCH model is adequate, because inter-correlated contemporaneous shocks can influence the results.

The diagonal multivariate MGARH models mean equation is:

$$r_t = \mu + u_t$$

where r_t is a stock return series, the unconditional mean vector is μ . Consequently $E(r_t/\Omega_{t-1}) = \mu_t$ and u_t is the shock of the return series at time t. Starting from $var(r_t/\Omega_{t-1}) = H_t$ is an nxn conditional variance-covariance matrix of the shocks we deduce the shocks as $u_t = H_t^{0.5} v_t$, where $vt \approx iid(0, I_k)$. For the shocks a multivariate t-distribution was applied, because empirical findings showed that the shocks fitted with multivariate Gaussian distribution failed to properly model the kurtosis in the return series.

The MGARCH-BEKK model developed by Baba, Engle et al. (1995) supposes that the diagonal elements in C matrix are restricted to be positive, which is not an obligation in the DVECH model. The model allows for volatility spillovers, so that the shock in the variance of one variable influences the others.

The MGARCH-BEKK model specification is

$$H_{\scriptscriptstyle t} = C'C + A'\varepsilon_{\scriptscriptstyle t-1}\varepsilon_{\scriptscriptstyle t-1}'A + B'H_{\scriptscriptstyle t-1}B$$

where A and B are parameter matrices with dimension *nxn*, the intercept matrix is decomposed in CC', where C' is an upper triangular matrix and C is the lower triangular matrix of the parameters. Without any further assumption CC' is positive semidefinite. While the original model is more general, in practice the MGARCH-BEKK models are definitely of order 1. This kind of models can be difficult to estimate especially with more than six assets. The convergence was achieved with good t-values for the parameters, but for more than six assets the convergence failed.

Similar to a DVECH model, there is a diagonal and a scalar version of the MGARCH-BEKK model. The diagonal form assumes that the A_{kj} and B_{kj} are diagonal, while the most restricted version is the scalar BEKK, where A=aI and B=bI and a and b are scalars. Since the diagonal BEKK model assumes the matrices A and B are diagonal, thus makes it possible for H_t to be positive definite for all t. Since a full BEKK model is appropriate for a maximum number of five assets, the usage of a diagonal BEKK is suitable for empirical analyses (Silvennoinen and Terasvirta, 2008). We could calculate the conditional correlations of pairs of indices to estimate the degree of co-movements of the markets, using the conditional correlation formula:

$$\rho_{xy,t} = \frac{h_{xy,t}}{\sqrt{h_{xx,t}h_{yy,t}}}$$

4. Empirical results

In the first phase the evolution of the conditional correlations (between the returns of Budapest Stock Exchange, Prague Stock Exchange, Warsaw Stock Exchange and Bucharest Stock Exchange, January 2002 – June 2012) were studied with a multivariate GARCH model – a diagonal BEKK –, with Student distribution for the errors for addressing the fat tails of the returns especially the left tail which stands for the negative returns. The results indicated that Prague Stock Exchange (PX), Warsaw Stock Exchange (WIG) and Budapest Stock Exchange (BUX) indices presented higher numbers in terms of their co-integration than in terms of their integration with the Bucharest capital market index (BET).

The conditional correlations of the Czech Republic (PX), Hungary (BUX) and Poland (WIG) are presented in figure 1.

Cor(BUX,WIG)

1.0

0.9

0.8

0.7

0.6

0.5

0.4

0.3

Cor(BUX,WIG)

Cor(BUX,WIG)

Cor(BUX,WIG)

Cor(BUX,WIG)

Cor(BUX,WIG)

Cor(BUX,WIG)

1.0

0.9

0.8

0.7

0.6

0.7

0.8

0.9

1.0

Cor(PX,WIG)

1.0

Cor(PX,WIG)

1.0

Cor(PX,WIG)

1.0

Source: Own projection

Figure no. 1 Conditional correlations between BUX, PX and WIG (diagonal BEKK) $_{\text{Cor(BUX,WIG)}}$

The correlations among Bucharest Stock Exchange (BET) and Prague Stock Exchange (PX), Budapest Stock Exchange (BUX), Warsaw Stock Exchange (WIG) are shown in figure 2.

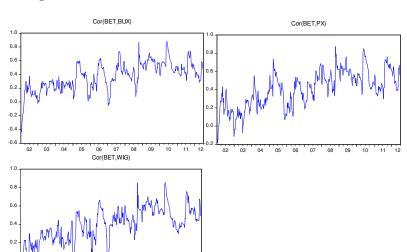


Figure no. 2 Conditional correlations between BET and BUX, PX, WIG (01.2002-06.2012)

The mean conditional correlations for the main indices of the four CEE countries for the entire period are pictured in Table 1.

Table no. 1 – Conditional correlation averages of the four CEE indices (01.2002-06.2012)

Indices	BUX	PX	WIG	BET
BUX	1,000			
PX	0,617	1,000		
WIG	0,668	0,632	1,000	
BET	0,383	0,415	0,400	1,000

Source: Own projection

Source: Own projection

A diagonal BEKK model was fitted for each period to form a proper image over the dynamics of the conditional correlations of returns. A trend of increasing market integration was identified by averaging the conditional correlations, a trend influenced by the process of EU enlargement and by the external shocks following the outbreak of the financial global crisis. The graphs below show that in the first month of the crisis, after 19 September 2008, there was a powerful increase in the conditional correlation across markets and that after 17 October 2008 the market integration began to lose force. Two powerful jumps in conditional correlations could be grasped: the first one occurred in the April–May 2010 period and the other one surfaced in the July–August 2011 timeframe. Both of them may be linked to the sovereign debt crisis, the first one was right at the outbreak of the Greek crisis, while the second shock was caused by the EU summit, where solutions to the Greek crisis were proposed.

Table no.2 Mean of conditional correlation for the four emerging markets in each period

Indices	Period	BUX	PX	WIG	BET
	2002/01-2004/04	1,000	0,501	0,555	0,122
BUX	2004/05-2008/02	1,000	0,636	0,702	0,337
	2008/03-2009/08	1,000	0,683	0,629	0,542
	2009/09-2012/06	1,000	0,764	0,757	0,600
	2002/01-2004/04		1,000	0,463	0,108
PX	2004/05-2008/02		1,000	0,639	0,354
	2008/03-2009/08		1,000	0,727	0,614
	2009/09-2012/06		1,000	0,746	0,590
	2002/01-2004/04			1,000	0,104
WIG	2004/05-2008/02			1,000	0,348
	2008/03-2009/08			1,000	0,583
	2009/09-2012/06			1,000	0,624
	2002/01-2004/04				1,000
BET	2004/05-2008/02				1,000
	2008/03-2009/08				1,000
	2009/09-2012/06				1,000

Source: Own projection

In the third phase of the study conditional correlations of the four CEE countries with other developed market economies (such as Austria, Germany, United Kingdom, Greece) were analyzed. Market returns were also compared by using aggregated indices as Morgan Stanley's MSCI-EAFE and MSCI-EM.

Table no. 3 Conditional correlation averages of CEE indices with other markets (01.2002-06.2012)

Indices	EAFE	EM	ATX	DAX	FTSE	ASE
BUX	0,503	0,566	0,553	0,506	0,464	0,426
PX	0,508	0,549	0,643	0,523	0,536	0,532
WIG	0,507	0,568	0,503	0,547	0,512	0,456
BET	0,288	0,357	0,392	0,292	0,292	0,244

Source: Own projection

The means of the conditional correlations indicate that markets of Prague, Budapest and Warsaw have a higher integration than the Bucharest one. The four studied stock markets, except for the Polish capital market, have a high integration with the Austrian capital market, but the Polish index is more in tune with the German index (DAX). The dynamic of market integration can be seen in table 4.

Table no. 4Average of conditional correlation of the four CEE capital markets with other markets on each period

Indices	Period	EAFE	EM	ATX	DAX	FTSE	ASE
	2002/01-2004/04	0,133	0,206	0,263	0,353	0,336	0,227
BUX	2004/05-2008/02	0,517	0,600	0,612	0,495	0,482	0,456
	2008/03-2009/08	0,684	0,677	0,754	0,713	0,597	0,609
	2009/09-2012/06	0,683	0,724	0,677	0,579	0,505	0,525
	2002/01-2004/04	0,128	0,190	0,243	0,323	0,355	0,430
PX	2004/05-2008/02	0,569	0,625	0,711	0,510	0,542	0,547
	2008/03-2009/08	0,646	0,660	0,810	0,741	0,654	0,718
	2009/09-2012/06	0,663	0,670	0,749	0,612	0,597	0,485
	2002/01-2004/04	0,183	0,245	0,191	0,507	0,412	0,398
WIG	2004/05-2008/02	0,542	0,614	0,606	0,544	0,572	0,433
	2008/03-2009/08	0,604	0,625	0,632	0,654	0,525	0,747
	2009/09-2012/06	0,697	0,738	0,667	0,620	0,615	0,501
	2002/01-2004/04	0,005	0,058	0,179	0,069	0,119	-0,064
BET	2004/05-2008/02	0,198	0,284	0,341	0,188	0,243	0,259
	2008/03-2009/08	0,576	0,628	0,661	0,567	0,516	0,568
	2009/09-2012/06	0,521	0,562	0,504	0,439	0,441	0,424

Source: Own projection

5. Conclusions

The present paper studied the degree of integration in the emerging capital markets of the Central and Eastern European block (Czech Republic, Poland, Hungary and Romania) in the January 2002 – June 2012 interval. The analysis was realized with a diagonal MGARCH-BEKK using weekly data. Variations in conditional correlations were evidenced in four periods: before the first wave of EU enlargement in the region (the accession of Czech Republic, Hungary and Poland), the period prior to the financial global crisis of 2008-2009, the crisis years and the post-crisis era. Empirical results indicated that given the different moments of EU accession, the period of joining is easily identifiable in the plots of conditional correlations. The four countries became more integrated after joining the European Union.

Regarding the crisis years two divergent evolutions were identified: in the first month of the crisis, after 19 September 2008, there was a strong increase of the correlation across all stock markets, with a doubling in value in some cases, and right after 17 October 2008 the market integration decreased in correlation. In the post-crisis period two significant jumps of conditional correlations showed up: the first one around April-May 2010 was linked to the outbreak of the Greek sovereign debt crisis and the second shift, between July-August 2011, appeared after the European Union summit dedicated to finding specific solutions to sovereign debt crisis of Greece.

High levels of correlation (of about 0.9) indicate the volatility spillover across countries. Significant temporary increases in correlation corresponded to uncertainties of capital markets and were correlated with the negative news that had concurrently effected all capital markets. The transition period following the end of the crisis was marked by a reversion process to a specific dynamics for each country, suggesting favorable arguments for using a DCC-Garch model or Markov Switching framework in future studies.

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Quantitative and Qualitative Dimensions of Romanian Agriculture

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Abstract

In general, agriculture is seen as the nucleus around which a whole series of other branches, sub-branches and activities are formed and developed, connected by a relatively complex system of technical-economic and economic-social relationships, which contribute to the production of consumer goods based on agricultural raw materials. In this article, we insisted on some quantitative/ qualitative dimensions, revealing an imbalance with a special impact on the Romanian agriculture and its competitiveness.

Key words: economic sectors, agrarian sector, GDP, competitiveness agricultural holdings **J.E.L. classification:** P32, O13, Q00

1. Introduction

The present article presents some quantitative/ qualitative dimensions, revealing an imbalance with a special impact on the Romanian agriculture and its competitiveness. More concretely, before analyzing the Romanian agrarian sector in economic terms (which reflected some critical aspects), we focused on agriculture, as a branch of special importance within the national economy. Then, we highlighted some issues related to those agricultural holdings with the status of legal persons, making some considerations about individual households as well as about the lands capitalized by them, and revealing several specific indicators. Hence, the existence of numerous small farms, but also the fact that, with reference to the European area, there are great differences between the average size of indigenous individual holdings (much diminished) and those from other European countries. The last part of this article focused on several concluding ideas and suggestions for improvement in this important sector of the national economy, i.e. agriculture.

2. Theoretical background

Agriculture holds several vital functions in the national economy, its main role being represented by the production of the subsistence means necessary for the human population and the participation in ensuring food security, understood as a possibility for the inhabitants of the country to dispose of sufficient food quantities at all times (Popescu, 2001).

Beyond the production of the above-mentioned means, this economic branch is seen as the one that contributes to the economic development, by increasing the vegetal and animal production in accordance with the needs of the national economy.

Due to the numerous relationships between agriculture and other branches, a high increase or decrease rate in the agricultural output may speed up or slow down the general economic growth (Lămătic, 2001). Agriculture transfers income for the development of other branches and activities, through a series of channels; among these, the most important ones are market mechanisms, price systems, various taxes and duties, interest on borrowed capital, rent, lease and fees paid for the leased/ rented/ farmed out land, costs incurred by agriculture during biological growth and training of the people that move to non-agricultural branches (Deleanu, 2004; Popescu, 2001; Lămătic, 2001).

Agriculture also participates in the economic growth by providing raw materials for the development of their processing industries as well as by providing production means, consumer goods and services (Dona, 2000).

3. Methodology

The present article uses as a method of research, both descriptive and exploratory. At the same time, the deductive nature was followed by the presentation and explanation of the cause-effect relationships, with the exposure of some solid statistical data, and as the inductive nature, the various interconnection relations with direct and indirect involvement factors were followed.

For data collection, they were used studies and reports published by various institutions, international bodies and organizations, but also with universal vocation, to obtain a comprehensive description of the issues addressed (both qualitatively and quantitatively).

4. The analysis of the Romanian agrarian sector from an economic perspective

In Romania's case, agriculture is a very important branch of the national economy. The sector as such plays a significant part in creating the added value needed both for its own development and for the participation in the development of the entire society, in order to provide comparable incomes to agricultural producers with other socio-economic categories (Gavrilescu & Giurcă, 2000).

The share of agriculture in the Gross Domestic Product (GDP) (Figure 1) is 4.4%, a downward trend compared to 2001.

Table no. 1 The share of different categories of resources in the GDP (December 31, 2017)

1	Agriculture	4,4%
2	Constructions	5,9%
3	Industry	24,2%
4	Services	55,8%
5	Net taxes	9,7 %

Source: INS (2018). *Analiza situației economice naționale în 2017* (Analysis of the national economic situation in 2017), [online] Available at: https://ccir.ro/2018/03/13/analiza-privind-evolutia-economiei-ro-2017/

Also based on statistical data (INS, 2018), we point out that the GDP for 2017 (856.3 billion lei, in current prices) increased in real terms, by 7% as compared to 2016, the main growth factors being represented by industry (with a contribution of 1.9% and the largest share in the GDP, i.e. 24.2%), trade (with a contribution of 1.6% to this growth), agriculture (by 0.7%), etc.

On a medium term, an evolution of the main macroeconomic indicators of the Romanian economy is projected, as shown in the table below (Table 2) - Agriculture, forestry and fisheries, with an added value of 1.9% (in 2018) and 1.1% (in 2021) in the GDP.

Table no 2. Forecasting the evolution of the main macroeconomic features of the Romanian economy (2018-2021)

percentage change over the corresponding period, in previous year% 2019 2020 2021 2018 Gross domestic product - billions of lei 907,9 977,2 1051,9 1126,6 - real growth % of which, 5,5 5,7 5,7 5,0 gross added value in: 5,7 5,4 4,6 4,3 - Industry - Agriculture, forestry, fishing 1,9 1,9 0,9 1,1 - Constructions 7 7,2 7,7 7,1 - Services 5,7 6,1 5,5 6,4

Net taxes on product	4,2	4,3	4,4	3,8
Final consumption	5,8	5,7	5,5	5,1
Actual individual consumption of households	6,2	6	5,8	5,4
Effective collective consumption of public	3	2,8	2,6	2
administration				
Gross fixed capital formation	7,9	8,4	8,6	7

Source: CNP/Comisia Națională de Prognoză (2015) (CNP / National Prognosis Commission (2015), overtaken by Cristian Socol, Romania in 2017 - Analiza indicatorilor de sustenabilitate (Romania 2017 - Analysis of sustainability indicators), [online] Available at: https://www.zf.ro/opinii/opinii-primite-la-redactie-romania-in-2017-analiza-indicatorilor-de-sustenabilitate-16927547

Due to the size of the agricultural area, the usage structure and the wide diversity of pedoclimatic conditions, the relatively large number of the population employed in agriculture, the training level and the accumulated experience, the network of training courses in the field and the research institutes and centers, Romania is considered one of the European countries with a high agricultural potential (Deleanu, 2004; Constantin, 2000).

It also has the most favorable conditions for agriculture. From the entire national territory, i.e. "23.8 million hectares, the agricultural area used by agricultural holdings is about 13.3 million ha (55.9%), out of which about 8.3 million ha are arable land" (MADR, 2015).

At the same time, in terms of the agricultural area used, at the European level, Romania ranks sixth, after France, Spain, Germany, Great Britain and Poland. In terms of arable land, it ranks fifth, after France, Spain, Germany and Poland (MADR, 2010).

Regarding the use of the land fund – its distribution (Table 3) – it is noteworthy that the arable land holds approx. 2/3 of the agricultural area; about 1/3 of the area is represented by pastures and meadows, while vineyards and orchards represent approx. 3%. Referring to the share of cereals and oilseeds, they hold about 2/3 of the arable land.

Table no. 3. Land distribution by mode of use (Evolution 2010-2013)

thousand ha -

Specification	2010	2011	2012	2013
Agricultural area, out of which:	14634,5	14621,5	14615,1	14611,9
Arable land	9404	9379,5	9392,3	9389,2
Pastures	3288,7	3279,3	3270,6	3273,9
Meadows	1529,6	1554,7	1544,9	1541,9
Vineyards and vine nurseries	213,6	211,3	210,5	210,3
Orchards and tree nurseries	198,6	196,7	196,8	196,5

Source: INS (2015). Anuarul statistic al României (Statistical Yearbook of Romania), 2013, 2014 tab 14.1, [online] Available at: http://www.madr.ro/docs/agricultura/agricultura-romaniei-2015.pdf

It is also worth mentioning the variety of relief forms and the proportionality in the distribution of the land in different areas: approx. 1/3 - in plains and meadows, approx. 1/3 - in hills and plateaus and approx. 1/3 - in the mountains. A significant part of the agricultural land is located in relatively less favorable climatic areas, either with moisture deficiency – especially arable lands – or with thermal deficiencies, which often diminishes crop yields.

Due to this fragmented relief, the lands on slopes have undergone erosion processes and landslides that diminished their productive capacity. As a result, the land areas requiring land reclamation works, such as irrigation, drainage and soil erosion control technologies are very large (Dona, 2000).

A particularity for Romania, revealed from the comparison with other European countries, is that the main indicators show that agriculture plays a relatively important part in the national economy, that the country's development depends more on agriculture (Popescu, 2001, Deleanu, 2004).

On the other hand, the ratio between the arable land of our country and the number of inhabitants is ½ ha of arable land per capita; this ratio is much higher than the one in the European countries (almost double the average calculated for those states) (MADR, 2010).

Then, as shown in various papers (Popescu, 2001, MADR, 2010), the relatively large share of agriculture in the GDP is not the expression of a highly developed agriculture (on the contrary). This is also shown by the share of agriculture in relation to the employed population, capital investments and fixed assets. Moreover, the decreasing share held by agriculture in the GDP since 1994 (even in the years when the GDP decreased) and its increasing share in terms of the employed population (which is a particular case for Romania) shows a decrease in agricultural labor productivity; it has dropped alarmingly, relative to national productivity (Popescu, 2001).

From another perspective, the contribution of agriculture, forestry and fish farming to the GDP, at the level shown above (about 4.5% of the GDP), is at least double compared to that of the other EU Member States (INS, 2018, MADR, 2010).

In terms of the labor force, Romania's agriculture holds one of the highest in Europe (about 2 million people); however, the share of the employed population in this sector still shows a regressive trend: in 2001 - approx. 41%; in 2016 - approx. 25% (Rotaru, 2017).

The active population in this sector is mostly represented by self-employed workers in individual holdings (showing a marked aging trend), and agro-technical engineering staff in agricultural enterprises, which are organized as trading companies.

The regressive trend of the share held by the population employed in agriculture is related to causes such as [7]: the retirement of the elderly from this type of activity, small incomes in agriculture (which do not motivate young people to carry out their activities here), minimum investments in rural areas, which did not lead to a significant absorption of the younger labor force.

5. Agricultural holdings

In 2016, the situation of agricultural holdings – those having the status of legal persons, farms/individual households, as well as the areas under their exploitation – is getting worse compared to 2013.

In this respect, the information listed below is extremely important (Table 4).

Table no. 4. Agricultural areas, by main categories of use (2013-2016)

Indicators	M.U.	Total agricultural holdings		Agricultural holdings without legal personality		Agricultural holdings with legal personality	
		2013	2016	2013	2016	2013	2016
Number of agricultural holdings	thousands	3630	3422	3602	3396	28	26
Agricultural area used	thousands ha	13056	12503	7271	6927	5785	5576
- arable land	thousands ha	8198	7814	4558	4254	2640	3560
- pastures and meadows	thousands ha	4398	4246	2315	2291	2083	1955
- permanent crops	thousands ha	302	301	240	240	62	61
- family gardens	thousands ha	158	142	158	142	-	-
Used agricultural area, on average, per agricultural holding*)	ha	3.6	3.65	2.02	2.04	207.49	312.64

^{*}It was calculated in the following measurement units: hectare and number

Source: INS (2017). Anuarul statistic al României (Statistical Yearbook of Romania), [online] Available at: http://www.insse.ro/old/sites/default/files/com_presa/com_pdf/asa_2016r_2.pdf

In relation to the European area, Romania is characterized by significant differences between the average area of the individual holding (being much diminished) and that of the individual European farms, i.e. about 19 ha/ farm. In addition, the ownership areas, which include common land (61.4%) and land rents (28.7%), are majoritarian.

The utilized agricultural area owned by agricultural holdings without the status of legal person represents 42.5% of the total agricultural area used; the percentage corresponding to the agricultural holdings with the status of legal person is approximately 19%. The existence of numerous small farms in parallel with great farms shows an imbalance with a special impact on the Romanian agriculture and its competitiveness (Popescu, 2001; Dona, 2000; Constantin, 2000).

As far as agricultural enterprises are concerned, most of them (over 2/3) are micro-enterprises with less than 10 employees (Constantin, 2000).

A remedy for this division/ fragmentation can only be the transition to various forms of legal association and the creation of what we call "producer groups" in agriculture.

6. Conclusions

In Romania, on the one hand, we are dealing with great agricultural overcapacity; on the other hand, agriculture brings a noticeable contribution to the general economic growth. As pointed out in this paper, the Romanian rural economy is predominantly characterized by a large percentage of small farms, mainly focused on self-consumption, and only rarely on selling the products obtained (and in this case, irregularly).

From a different perspective, there is currently a shift of the labor force from agriculture to non-agricultural branches; what needs to be pursued by macro-decision-makers is whether this move takes place based on the increase in labor productivity in agriculture and on ensuring a higher productivity level in the branches where it moves.

In the short and medium term, through the policy of national authorities and the European legislation, it is necessary to encourage the transition to various forms of legal associations and to create "producer group" in agriculture, to increase investments in technology and modern technologies, aiming at boosting yields and diminishing the number of the employed population in the analyzed sector, which in the medium term should become more efficient/ competitive.

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Influence of Economic and Political Crisis to Resort Tourism Development in Georgia

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Abstract

The outstanding fact is that due to the unique geographical location, natural-climatic conditions and rich history Georgia has a wide range of tourism development opportunities. Country has a wide range of tourism development opportunities with numerious and rich tourist resourses. Within should be distinguished Resort Tourism as one of the most perspective directions for tourism development in the country. From ancient times in Georgia has been used: mineral waters, rich climatical variety of sea and mountain zones in order to treat various diseases.

The total number of mineral springs is more than 2000. There is also number of medical muds. The total number of resorts and resort areas in the 80s has reached 265 with high prospects for their further development and popularization. But occurred political situation, economic-political crisis that took place during the last 30 years destroyed the major part of the resorts located on the territory of Abkhazia, which is currently occupied and uncontrolled region.

Key words: Resort Tourism, Development, Economic, Political Crisis, Tourist resourses.

J.E.L. classification: H5

1. Introduction

Georgia has a wide range opportunities for tourism development due to the unique geographical location, natural-climatic conditions and rich history. Country has a numerious and rich tourist resourses. Within should be distinguished Resort Tourism as one of the most prior and perspective direction for tourism development in the country. These issues has been worked out since 2005 by the group of the Sientists (Metreveli, 2005).

From ancient times in Georgia has been used: mineral waters, rich climatical variety of sea and mountain zones in order to treat various diseases. The convincing illustration can be the fact, that the ancient Greek mythology has a special dedicated place of Colchis, the ancient region of Georgia. The country of the Golden Fleece was distinguished with high developed entrepreneurial activity simultaneously with the enormous art of treatment, that is linked with the name of Medea. The healing properties of the climate and waters in Georgia centuries ago has been reported in numoerous publications by local professionals and foreign travelers. The thermal waters indicate great attention to the legend linked with the establishment of the capital of Georgia - Tbilisi, which was established and built around the mineral sulfur water, more than 1500 years ago, and nowadays at this place there is functioning a famous balneological resort of Tbilisi.

2. Theoretical background

At the beginning of VXIII century the Georgian Resort potential according to the order of Peter I, has been focused by the Russian Empire. Georgian thermal resorts were considered as the center of the most important healing and recreational destinations in the former Soviet Union. Annually the several million tourists have been visiting the resorts from the former soviet 14 countries and from the Europe as well.

As the country is surrounded by the Black Sea from West and by Caucasian Mountain range from South and North, there is variety of almost all the climate zones and different type of mineral water.

The number of mineral spring waters in Georgia reaches 2000. Within1700 are the natural springs. Significant works about Georgian Resorts and resort's therapy are introduced by the Georgian researchers (Saakashvili, Tabidze, Tarkhan-Mouravi and Kutateladze, 2011).

There are also a number of medicinal muds. The rich traditions of using the muds at the resort places indicate one of the most famous resorts in Tskaltubo, which is frequently referred historical documents of the XII-XIII century. The first international references of medicinal waters were published in the work of the "Berlin Society of Natural Sciences" in 1782. Nevertheless, the official formation of resorts in Georgia took place in the second half of the XIX century. One of the first favorate destinations was Borjomi, which became summer residence for the Russian Imperial Dynasty and the favorite resort for their relatives. It's noteworthy that the production of the world's famous mineral water "Borjomi" started in 1890, and the first hydro power plant was built on the river Borjomula in 1898 to provide electricity for supplying Romanov's Likan Palace. The construction of the palace took place in 1892-1895. The son of the Russian emperor Alexander III's, brother of Nikoloz II, the direct heir of the Russian Imperial Throne, George Romanov, settled in Abastumani for treatment of lung disease. The city of Abastumani existed before B.C and has always been famous with its healing waters.

Especially for the Heir was built healing thermal water bath and palace, which later was reconstructed as sanatorium. At the same time, the relative of Russian King, Prince Oldenburg began building and developing Garga as a resort. A huge part of the funds was allocated to the construction of Prince's Palace.

Afterwards, the constructing materials were imported from Norway in order to build the outstanding hotel "Gagriff", which became one of the most important highlights of the city.

Many buildings were also constructed by this time in Gagra, with the support of different countries from the overseas. A lot of exotic plants were imported and planted in the coastal park. The first massive tourist flow in Gagra started at the beginning of the XX century.

In 1911 Gagra was already hub of elite coastal resort, which became the most popular and attractive destination amongst the German tourists.

Before the revolution Gagra was official registered resort with full range of infrastructure, while there were 6 sanatoriums with 367 beds in Georgia. In 80s of XX century, there was listed 265 resorts and resort areas with: climatic, balneological, balneological-climate and climate-balneological profile.

The above mentioned issues are discussed in several works as (Kuskivadze and Goguadze, 2016)

3. Recreational Zones in Georgia

The most intensive operation was shared within 500 resort-tourism establishments hosting the guests round the year. The major part of the tourists was coming for health care, disease treatment or prevention.

The territory of the country is divided into five climatic-resort zones, which have different, very effective medicinal properties:

I. Black Sea Coast – which is 310 km length, which is considered to be one of the most important zones for climate resorts development. Here are located world's famous resorts as: Gagra, Bichvnita, Akhali Atoni, Gudauta, Sokhumi, Batumi, Kobuleti, Makhinjauri, Mtsvane Kontskhi, Ureki and etc.

High effective therapy is available round the year provided on 47 resorts where the demand is especially great. Sea climate successfully cures diseases of blood circulation and respiratory organs, functional disorders of nervous system.

II. Valley - 500 m above sea level. This zone unites 25 balneological resorts as: Tskhaltubo, Menji, Tsaishi, Nabeglavi, There are depicted 25 resorts in this zone, including: Tskaltubo, Menji, Tsaishi, Nabeghlavi, Akhtala, Tbilisi.

The mineral waters and muds at these resorts are treating following disease: peripheral nervous system, heart and blood vessels, skin, metabolism, endocrine system and gynecological diseases, neurosis and chronic pneumonia;

III. Lowland - from 500 to -1000 m above sea level. Here It is located 77 balnological-climatic resorts, significantly: Borjomi, Sairme, Utsera, Java, Surami – the most famous resorts for digestive and diuretic diseases.

IV. Average height - at 1000-2000 meters above sea level. In this zone are located 114 climate-balenological resorts and resort areas that are incomparable for the treatment of respiratory organs, neurons, neuroses and other diseases. These resorts are especially demanded for children holidays. The most visited resorts are: Abastumani, Bakuriani, Shovi, Bakhmaro, Tsagveri, Tsemi and others;

V. High mountain - above 2000 meters above sea level. This zone is characterized by a long cold winter and short cool summer. Previously, it was only a tourist attraction for sports' purpose, but during a few decades the mountain ski resort Gudauri located at a height of 2200 m. from Sea level attracts a lot of ski lover tourists. The resort offers a full range of activities round the year. The first construction works of infrastructure at the resort was finished in 1988 by the Austrian experts. Here was built hotels and sport-recreation facilities.

Recently, the resort Gomi Mountain, located in the highland zone, has been particularly spotlighted by the existing legend, that with the joint effects of mountain climate and sea cobination people suffering from acute diseases can be totaly recovered.

4. Influence of Ecomonical and Political Crisis

Based on the results of the multi-year survey, the general plan for the development of the resorts was implemented, which envisaged renewal of existing resort facilities, exploring new resort areas and development of appropriate infrastructure.

In 1991 after the restoration of the independence, new government was expecting a major source of income from the resorts business. Unfortunately, change of political stucture was followed by the hard political and ecomonic crisis. Civil war, conflics in Samachablo and Abkhazia particularly resulted in destoying major part of the resorts and its infrustructure. Several outstanding and important resorts are located on the conflicted areas as Samachablo and Abkhazia. Due to the unsustanable situation in Georgia and despite of many attempts from the government side, it was practucally ungovernable to pay attention to the resorts for a long time. As a result, the condition of the resorts were ruinous. (Kvaraia, 2011).

At the beginning of 2000s government started an active and fast development of the famous resorts as: Batumi, Kobuleti, Ureki, Borjomi, Bakuriani, Gudauri, Kazbegi and etc., Georgian and foreign investors were totally involved in tourism infrastructure building process, exploring new resort areas and its further development. The country's government has been encouraging investors in all directions and took appropriate measures to develop the infrastructure, but due to the war between Russia and Georgia ocuured in 2008 and global economic crisis increased local economic regress in the country. Current sutuation obstracted to implement projects in this direction. (Kvaraia and Malania, 2017).

The main aim of the country by this time was supporting refugees with the accommodation from Samachablo region. Government immediately started constructing of accommodation for the refuges and all the financial and material resources of the country have been utilized. In recent years, country's government renewed again resort tourism development process. The active campaign is being implemented in order to develop all the above-mentioned popular resorts. Construction works are being implemented in the direction of communication improvement. Funds were allocated for: road rehabilitation, water supply, sewage and other communications in resort

areas. With the support of investors, a lot of resorts are being developed. The best sample of this is Sairme Resort, which is considered to be one of the best resorts for treatment kidneys and diuretic pathways. (Kvaraia, Kutateladze and Malania, 2013)

In fact, due to the creation of appropriate conditions for the investor by the governmental support in 2011-2013, the entire resort has been renovated. A new sanatorium, rehabilitation center, nutrition and entertainment facilities, landscape and other infrastructure have changed radically. In the shortest time hundreds of local and international tourists have been attracted at the resort. Simultaneously, a slow process of development is holding on at the various resorts as: Adjara, Svaneti, Racha, Samtskhe-Javakheti. (Kvaraia, Kutateladze and Malania, 2012). It should be mentioned that the government is protecting so-called "prestigious" resorts and lot of important resorts with its meaning and quality are not being developed. Amongst them can be underlined resorts in the zone of Borjomi-Kharagauli for health improvement for children suffering from tuberculosis. These are: Libani, Patara Tsemi, Chitakhevi. The infrastructure is totally destroyed, when the thousands of children had been treated at these resorts.

There are also 8 resorts n Kakheti region and only 3 of them is functioning and operating currently. No attention is paid to the resort Arkhiloskari, which is distinguished by its medicinal factor of the climatic conditions and high efficiency of the treatment and is listed among the few resorts in the world. The nephrology profile sanatorium for children is now completely destroyed. More examples could be displayed, but it's important to note that political and economic crises developed over the last 30 years interrupted development of resort tourism in Georgia, which is considered to be one of the most profit and important filed for the country.

Table no. 1. International Visitors in Georgia. All above mentioned visitors during their stay in Georgia visit at least one resort

Type of Visit	2017: 9 months	2018: 9 months
International Travelers' Visit	6,105,045	6,788,377
International Visitors	5,002,104	5,647,109
Tourism Visits	3,203,704	3,772,102
One day visits	1,798,400	1,875,007
Other purpose	1,102,941	1,141,268

Source: Ministry of Internal Affairs of Georgia, Informational-Analytical Department

5. Conclusions

No other post-Soviet republic damaged its tourism infrastructure like Georgia did. 300 thousand refugees from Abkhazia and Samachablo were accommodated in the best hotels, health resorts, and guest houses. All Georgian infrastructures were paralyzed.

Nowdays tourism in Georgia is transforming in new system and is overcoming many obstacles. Problems facing with resort tourism in Georgia can be categorized in 2 groups: aspects related to tourism products (diversity, quality, safety, capacity) and tourism market requirements (transportation problem, marketing, value, and incoming tour operators).

In order to improve the situation, the Georgian authorities must ensure strategic plan for the development of the health and wellness tourism strategy, create appropriate conditions for local and foreign investors.

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Employment and Unemployment in Europe. Factual and Theoretical Developments

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Abstract

The employment and unemployment approach has taken several steps, starting with the neoclassical theories of unemployment and ending with modern labor market theories. In this article, we aim to highlight the factual and theoretical developments in employment and unemployment in Europe.

Key words: labor market, unemployment **J.E.L. classification:** J21, J31, J64

1. Introduction

The first step regarding the evolution of the unemployment concept was represented by the neoclassical theories, according to which unemployment was either temporary, determined by the adjustment of supply on demand or voluntary unemployment when workers did not accept to work on a lower salary than the one expected.

The second stage was Keynesian theory, which brought some theoretical changes to neoclassical models. Thus, in Keynes opinion, the labor market does not operate according to the same principles as the goods and services market where price is formed by the confrontation between supply and demand, since labor is not a commodity whose price can be set strictly commercially.

Another stage in the evolution of unemployment theories is the Phillips Curve and Okan's law. The contribution of Milton Friedman, who reformulated Phillips's original attitude, has not been omitted, bringing the concept of the natural rate of unemployment into question. Friedman promotes the idea of a natural rate of unemployment, below which unemployment can never fall, regardless of the monetary policies applied.

There are also more recent theories on unemployment, namely the differentiated wage theory developed by Burdett and Mortensen and the theory of efficiency wages proposed by Shapiro and Stiglitz.

2. Theoretical background: Neoclassical theory of occupation and unemployment versus Keynesian theory

From the end of the Second World War to the late 1960s, unemployment in Europe was at an extremely low level. In the 1920s, on the backdrop of classical and neoclassical liberal theories, Great Britain, like many other capitalist states, faces an economic depression and high unemployment. The Great Depression from 1929 to 1933, which struck the major capitalist economies, determined theoretically the emergence of a new economic trend, namely "Keynesianism" or "interventionism", as is already known in the academic world.

This new economic doctrine, developed by British economist J.M. Keynes, explains the high unemployment rates that destroyed Western economies in the 1920s and 1930s, thus opposing the classics (beginning with Ricardo) and the neoclassicals (Walras, Jevons, Menger) who had promoted the idea that a free market, whereby the state will not intervene, will ensure an optimal allocation of production factors in the economy, generating economic growth and full employment.

Keynes explains the economic crisis of the late 1920s and unemployment through a reduction in consumption that led to a low aggregate demand resulting in reduced production. Thus, in order to ensure economic growth and full employment, Keynes supported the idea of state intervention in the economy (Keynes, 2010).

As far as the labor market is concerned, Keynes brings some theoretical changes to the neoclassical models that treat the labor market as a distinct market with the rest of the markets, considering that equilibrium is the same as any other market by matching demand with supply so that labor supply will always be adjusted to demand by price variation. Specifically, neo-classics considered that any individual who wants to get a job can have it if he accepts a lower salary, just as on the goods and services market any bidder can find a customer for his products or services if he reduces the price. In the neoclassical view, unemployment was either transitory, driven by the adjustment of supply on demand, or voluntary unemployment, when workers did not agree to work on a lower wage than expected. Thus, neo-classics believe that when workers accept lower wages, full employment can take place and the labor market is in balance.

In Keynes's view, this is not possible, the explanation being that what is being negotiated is actually the nominal salary, and a reduction in it will have no practical effect, as a similar variation of prices in the economy so that real wages and unemployment will not change. Keynes also breaks away from neoclassical theory as to the cause of unemployment, which is not the will of workers who do not accept lower wages, but the decisions of firms that can be in the direction of expanding activity, which implies an increase in jobs offered or, on the contrary, a restriction of activity, which means the abolition of jobs. Thus, according to Keynes, the labor market does not operate according to the same principles as the goods and services market where price is formed by the confrontation between demand and supply, since labor is not a commodity whose price can be set strictly commercially. The Keynesian theory theory is the aggregate demand principle, according to which the level of employment depends on the level of aggregate demand for goods and services, unemployment being the result of an insufficient aggregate demand.

Regarding the balance on the labor market, there are major distinguishes between Keynes and Neoclassics. Unlike neoclassicals who treat the labor market independently, considering work as any other commodity whose price is in balance when labor demand corresponds to labor supply (for example, Solow-Swan's exogenous economic growth model), Keynes considers that markets are interdependent, and the labor market depends on the goods and services market and the money market, whose equilibrium will in turn generate a balance in the labor market (for example the Hicks-Hansen IS-LM model). Thus, by confronting the two curves, IS and LM show the equilibrium production value, which corresponds to a level of occupation, which will ensure the equilibrium of the labor market.

According to Keynesian theory, labor demand is derived from the actual demand for goods and services, which in fact is the demand a company expects to address, depending on the function of income from the economy, the rate of taxation, the interest rate, the average inclination consumption, capital efficiency, etc.

3. Two theories of the unemployment rate: Okun's law and the Phillips Curve

Both Okun's law and Phillips Curve have been debated and analyzed over time in the work of many economists.

The Phillips Curve has been particularly important among theoreticians and policy makers in particular because it describes an inverse relationship between inflation and the unemployment rate, considering that an increase in employment will result in an increase of demand for goods and services, so it will produce inflation, while monetary policy measures, anti-inflationary, will generate unemployment.

Thus, taking into account the relationship described by the Phillips Curve, governors will have to harmonize monetary policies specific to central banks in each country that aim to keep inflation below a certain acceptable level (3% in the EU), with the rest of the government's macroeconomic policies which usually aim for economic growth and full employment, which means that unemployment is close to its natural rate.

The relationship between the labor market and monetary policy, which has theoretically the empirical relationship highlighted by Phillips, has been the subject of many research over time, among which the research by Cooley and Quadrini (1999). They have explored the source of the link between the labor market and monetary policy, combining a theoretical model of job creation and abolition (Mortensen - Pissarides model, 1994) with an economic model of money transmission (Christiano, Eichenbaum, Evans, 1996, 1997), showing how aggregate monetary shocks affect the flow of workers and jobs.

The Phillips Curve has been tested on the economies of many countries, in many cases the results denouncing the relationship discovered by Phillips, which is why a number of neoclassical currents, including Lucas and Sargent, fought the Phillips curve, rejecting Phillips Curve theory.

Neither Okun's relationship, which implies the existence of a reverse relationship between the dynamics of gross domestic product in an economy and the change in unemployment, is not supported by all economists.

Okun has shown that a 1% reduction in unemployment results in an increase of about 3% in GDP, but nowadays Okun's law is known to mean that a 1% reduction in unemployment will generate additional growth of GDP by 2% above its potential, estimated to be 3.2 percent. Any additional GDP growth above its potential level of 3.2% will result in a 0.5% reduction in unemployment.

However, the reverse relationship between the change in unemployment and GDP is not constant over time, and implicitly, the potential GDP figure of 3.2 percent does not remain the same. Okun's relationship thus becomes a recommendation rather than an immutable law. The explanation is that the GDP of an economy does not depend directly on the unemployment rate, but depends primarily on the available labor force (Altig, Fitzgerald, Rupert, 1997, p. 1-6).

The conclusion is that Okun's relationship can only be considered as a recommendation, as potential GDP does not remain constant over time, and changes in unemployment and GDP rates do not maintain an inversely proportional ratio of $\frac{1}{2}$.

The relationship between unemployment and GDP growth was also tested in Romania. A study in this sense is done by Dinu et al. who tested Okun's relationship for the 1999-2008 period, resulting in a correlation of -0.26 between the unemployment rate and the change in GDP, relatively close to the Okun coefficient (-0.3). The resulting coefficient for the period 1999-2008 is higher than that resulting from testing the same relationship for the period 1992 - 2004 (-0.17). The increase in the coefficient is explained by the economic growth registered by the economy of our country during the period 2004-2008 as well as by the reduction of the rigidities on the labor market during the same period (Dinu M., Marinas M., Socol C., Socol A., 2011, p. 5-20).

4. Natural Unemployment Rate

As mentioned above, from the end of the Second World War to the late 1960s, unemployment in Europe was at an extremely low level. Since the 1970s, most of the capitalist economies of the world have seen unemployment rise, which continued in the 1980s, stabilizing at a high level in the 1990s. It has remained high until today when unemployment hides a degree high heterogeneity among the economies of European countries.

The 1970s, when unemployment began to rise, coincided with the emergence of the concept of "natural rate of unemployment" but not operational at that time (Blanchard, 2005, p. 1-53). Through a graphical representation, Blanchard has shown that when unemployment is below natural rate, inflation will tend to grow, and when unemployment is above natural rate, inflation will tend to fall. European countries faced two major oil price spikes, the first being in 1973-1974, with the oil embargo imposed in the Arab countries and the second period of oil price rises being the period the Iranian Revolution of 1979 and the Iran-Iraq War of 1980.

Since the early 1970s did not yet have a natural rate model, economists could not predict stagflation in the 1970s. A functional model of the natural rate only emerged in the late 1970s, and since then stagflation has been much better understood. The rise in unemployment was explained by the interaction between adverse shocks and the structure of collective bargaining in each country.

The dynamics of capital accumulation was also one of the causes that led to a long and profound increase in unemployment. In this context, the expansionary monetary policy has played two major roles. Firstly, it helped lower real wages and limit the reduction in unemployment to an existing stock of stocks, and secondly it played an important role in reducing the real interest rate, thereby limiting the decrease in capital accumulation, which had as a result, a reduction in unemployment over time. Both monetary policy implications functioned in the second half of the 1970s when inflation ceased to grow.

As I pointed out in the previous paragraph, according to the Phillips curves of the early 1960s, the increase in the nominal salary demanded by people depended solely on the level of unemployment. Phillips noted that from an econometric point of view there was a close correspondence between the nominal wage exchange rate and the inverse of the unemployment rate on UK data over 97 years between 1861 and 1957. However, in the US in the late 1960s and in the early 1970s, both inflation and unemployment increased, and it seemed to contradict the compensation situation between the two rates Phillips had found. Moreover, this analysis by Phillips contains a fundamental error in that no distinction is made between the nominal and the actual salary, just as Wicksell has failed to distinguish between the nominal and the nominal interest rates (Friedman, 1968, p. .307).

The theory was accepted until the later tests of the Phillips curve no longer corresponded to the initial results, as there was a need to accept an increasing rate of inflation to keep unemployment at an acceptable level. This is how Phillips's initial postulated relationship was later reformulated by Milton Friedman and Edmund Phelps (1968), which questioned the existence of a natural rate of unemployment, under which unemployment would never be able to fall, regardless of monetary policies I'm getting. Friedman changed Phillips's theory by saying that employees were actually negotiating the real salary, not the nominal salary, which would have attracted the illusion of money. This means that, in addition to the salary increases that people claimed at a certain level of unemployment, if the expected inflation was zero, they would add to their expectations of the inflation rate. Thus, the concept of the "natural rate of unemployment" has emerged, denoting that level of unemployment at which inflation will not change.

In short, macroeconomists, until Friedman, believed in the relationship between price changes and unemployment without inflationary projections having any effect. Friedman understood that such a theory could only apply if those who set the prices and wages had the illusion of money, or if they fail to add inflationary forecasts to wage bargaining and pricing. Friedman has altered the relationship so that wage and price equations are affected one to one by inflation expectations. In these conditions, unemployment will remain around the natural rate (Friedman, 1968).

Classical economic theory is based on the principle that there is no unemployment, which means that in a situation of balance, all individuals who want to work can find a job. However, the classical economic model, developed by Milton Friedman, believes that in any economy there is a certain level of unemployment, called frictional unemployment, due to fluctuations in the labor market. Frictional unemployment refers in particular to the temporal unemployment that occurs when individuals are between two jobs, ie the time elapsed between the moment when they change, willingly or not, a job with another (Friedman, 1968).

The concept of natural rate of unemployment has deeply penetrated economic theory and is almost unanimously accepted by economists, which is why later studies have taken over this syntagm and have developed it, so today is the "NAIRU estimation" (Non accelerating inflation rate of unemployment, a concept that defines that level of unemployment that corresponds to stable inflation. Between Friedman's original concept of "natural rate of unemployment" and "NAIRU", model developed by neokeynesians, there are some differences that are related in particular to the existence of imperfect competition on the labor market. In the NAIRU model, the negotiated salary increases as employment increases, because increased employment involves fewer unemployed people looking for work, so a lower job offer, which translates into greater bargaining power on the

part of the trade unions (Dobrescu, Paicu, Iacob, 2011, pp. 186-201).

But there are also opinions contrary to Friedman's natural poverty theory, which suggests that salary indexation decisions are not affected by the illusion of money. For example, Akerlof and Shiller argue that some wage indexation has been affected by the illusion of money, which is less than one to one, and others have taken place only after inflation has risen to a specified level. They conclude that inflationary expectations are unlikely in wage negotiations and provide evidence for the existence of money illusion in wage and price setting. For example, fixed-interest-rate government bonds or even fixed-interest mortgages (Akerlof, Shiller, 2010).

According to Akerlof and Shiller, the natural rate theory is generally appealing, but it is based only on one assumption that people do not have the illusion of money. An example of the existence of the illusion of money is the rigidity of wages to their downward trend. This means that employees are opposed to any reduction in wages, which means that wages will not fall even if inflation is reduced. In this case, salaries will become higher as the level of employment does not change. Under these conditions, the increase in wages caused by the reduction in inflation will influence unemployment in the direction of increasing it by double the inflation reduction percentage as it results from the Phillips curve (Akerlof, Shiller, 2010, p.188).

5. Two Theories of Salary: Efficiency Wage Theory and Differentiated Wage Theory

Wage efficiency theory. Another interpretation of Keynesian involuntary unemployment

There are more recent theories about unemployment. These theories include the theory of efficiency wages. From the point of view of the formation of the labor price and of the salary offered by the employer to the employee in return for the labor, the labor market differs from the other economic markets, namely the financial market or the market of goods and services where any seller can sell a product or performs a service through a reduction in the price or tariff originally requested.

The labor market is atypical in this respect because the employer will not be willing to hire a work force against a low salary if the employee is not fully satisfied with the salary received in order to perform his / her duties with the utmost responsibility and in an efficient way. No employer wants his employees to come to work and not to provide the expected return or to get away from work.

The theory of efficiency gains is based on Phelps (1970 and 1994) and continued by a number of economists including: Solow (1978) who believes higher wages will bring extra effort from employees, Shapiro and Stiglitz (1984), who developed the idea that high wages discourage employees from escaping from work, as they cannot be very well monitored and Weiss (1991) who believe that a higher salary will attract skilled labor and with superior training.

The theory of efficiency gains, developed by Carl Shapiro and Joseph Stiglitz, promotes the idea that employers might be willing to offer a higher salary to their employees than the lowest salary that workers would be willing to accept because of the effect which the salary has on the employees' mood, directly influencing the labor efficiency. In the view of the two economists, a higher salary could reduce the company's costs by overseeing employees so that they do not shirk from work. In order not to do so, all firms will increase wages so that employees are further stimulated and not shirk from work (Shapiro, Stiglitz, 1984, pp. 433-444).

In these circumstances, there will be a gap between demand and supply in the sense of an offer of labor above the demand that will give rise to unemployment. This type of unemployment is considered by the two economists to be involuntary unemployment. In their view, involuntary unemployment represents the gap between supply and demand at the salary level that firms are willing to pay (Akerlof, Shiller, 2010, p. 172).

The theory of differentiated salaries

We know that workers, even if they have the same skills and abilities and do the same job, can benefit from different salaries, depending on the employer where they work. An explanation for this is provided by Burdett and Mortensen (1998). They argue that persistent wage differences are influenced by the strategic way in which wage formation is formed in a frictional labor market and where there is no homogeneity between workers and jobs. On such a market, workers are

constantly looking for a job, so those who are unemployed can accept a job with a lower salary and those who already have a job are looking for one better paid. The job offer is thus confronted with the demand for employment, represented by employers who publish job vacancy announcements and salary offer, depending on the salaries offered by other companies for similar jobs. Thus, the already employed workforce can migrate to employers offering higher wages, whereby labor supply determines the profits of each firm and is conditioned by the wages offered by other employers and the salary demanded by employees. This profit function is actually rewarded in the "payroll" game played by employers.

Burdett and Mortensen have shown that wage dispersion exists in a balanced market even when workers offer the same labor productivity. They mentioned three consequences stemming from this simple version of the model, namely: (Burdett, Mortensen, 1998, pp. 257-273)

- in the best paid jobs, there will always be more experienced and better trained workers;
- there is a direct relationship between the size of the workforce and the salary paid;
- there is an reverse relationship between the salary offered and the migration rate between employers.

6. Conclusions

We can conclude that the evolution of employment and unemployment theories have been linked to the stages through has passed the economy of major capitalist states.

We have seen how the *Keynesian* theory came to explain the high rates of unemployment in the 1920s and 1930s, as classical and neoclassical theory had failed.

The next period of high unemployment was in the 1970s and 1990s and coincided with the emergence of the concept of "natural rate of unemployment".

Another conclusion drawn from this paper is that the labor market is atypical to the rest of the economic markets, where supply meets demand when the price is reduced. In the labor market, the employer can offer a higher wage for the employee to perform the work with maximum responsibility and involvement.

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General Approaches to Creative Economy Within the European Space

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Abstract

Creative economy has become one of the key concepts in the new economic paradigm, being considered an important factor of economic growth, as well as a significant source of employment and resilience in developed and developing countries, from various parts of the world. Although its impact on economic development is generally acknowledged, there is no world-wide acceptation in defining the creative economy and its comprising economic sub-sectors. By using document and report analysis through a comparative approach, this paper aims to briefly identify the main perspectives on creative economy within the European space. Thus, we highlight the spatial distribution of the concepts embodying economic activities based on valuating creativity as a main input and we identify the main features of each identified approach.

Key words: creative economy, creative industries, cultural industries, experience economy, Europe **J.E.L. classification:** A10, Z10

1. Introduction

As literature in the economic field emphasizes it, creative economy has gained an increasing attention over the past years, being acknowledged as an important factor of economic development and employment. "The creative economy is recognized as a significant sector and a meaningful contributor to national gross domestic product. It has spurred innovation and knowledge transfer across all sectors of the economy and is a critical sector to foster inclusive development." (United Nations, 2018, p. 3). While it has no wide accepted definition, it relates with creative and cultural industries (CCI), comprising of economic activities which capitalize individual's creativity, skill and talent through the generation and exploitation of intellectual property (in areas such as arts and crafts, books, films, paintings, festivals, songs, designs, digital animation or video games). In 2015, according to Eurostat data, cultural and creative businesses, accounting 5% of the total number of enterprises within European Union economy, generated 2,8% of total value added (approx. 200 billion EUR) and 1,7% of total turnover (Eurostat, 2015). In the same time, the sector employs almost 8,4 million people (3,7% of the total EU workforce) (Eurostat, 2016). Being an important source of growth, the sector is supported through Creative Europe programme (2014-2020), as well as by a number of policy actions included in the Work Plan for Culture (2015–2018, 2019-2022) (European Commission, 2018). Moreover, the impact of the creative industries in the UE economy goes further than being a mere contribution to employment and production, and that they contribute to the technological progress and long-term development of the EU (Boix and Rausell-Koster

This paper aims to inventory some of the main perspectives on the creative economy, found in the European space. As methodological approach, we use report and document analysis (qualitative research), in order to identify the different acceptations on the industries that embodies creativity as a main resource, as well as the criteria which are used to distinguish them from the other economic fields and the comprising sub-sectors of each perspective.

2. Theoretical Background

As a direct result of the accentuation and diversification of economic activities that encompass creativity and their spreading into the world economy, more and more opinions (of some prolific economists such as Richard Florida, Charles Landry, John Howkins and others) claim that we living in an *era of creativity*, characterized by *continuous innovation*. Therefore, creativity seems to have become the "ultimate economic resource" (Florida, 2002).

However, although the concept has gained a lot of attention in both academia and the policy-makers, the approaches to tackle the concept vary throughout the European space. In Table no. 1, there are mentioned some of these approaches, according to the findings included in the report The Economy of Culture in Europe, conducted by the KEA European Affairs organization.

Table no 1. Spatial distribution of concepts used in European countries to describe creative sectors

"Creative	"Copyright-based	"The Experience	"Specific
Industries"	industries" Approach	Economy" Approach	studies sector"
Approach			Approach
Austria	Denmark (2006)	Sweden (2004)	French Community
			in Belgium
Flemish Community	Finland	Denmark (2003)	France
in	Hungary		Ireland
Belgium			
Denmark (2000)	Latvia (2005)		Poland
Estonia	Norway		Portugal
Latvia (2005)			Slovakia
Lithuania			Spain
Sweden			
Bulgaria			
Romania			

Note: the information provided in table is not exhaustive and it is based on the responses received to the questionnaire provided by KEA

Source: (KEA European Affairs, 2006, p. 48)

Nevertheless, all the different perspectives on the creative economy, although unique as ways of manifestation and conceptualization, aim at the same economic dimension and are overall complementary. Moreover, comparing the main approaches encountered within the European space highlights the overlaps on the one hand, as well as the differentiations between the notions of cultural industries / cultural economy - creative industries / creative economics - the economy of experience, on the other hand.

The concept of creative industry (previously known as cultural industry) was extended to creative economy during the 1990s (Howkins, 2013, 2007, 2001), the creative class (Florida, 2002), and later to creative regions and creative cities, in the fields of microeconomics and the theories of innovation systems. Theoreticians like Charles Landry (Landry, 2012) and other exponents of cultural geography have explored how technological innovation can emerge from a cultural and institutional environment that promotes innovation and experimentation (Flew, 2005, 2002). The creative environment is defined as "a complex space of common traditions within which people can learn, compare, compete and collaborate and through which ideas can be proposed, developed and disseminated" (Flew, 2005). The movement of "creative cities" is predominantly of European origin and involves re-imagining urban local spaces within a global competitive environment (Pratt, 1994), as well as attracting and generating workforce and output in the creative industries (Sassen, 2005). It can also be said that the sector or cultural district within the new urban geography has generated the concept of "clusters" in the study of new production networks and has designed the distinctive style through which a city can become known (examples: "Cool Brittania", "Singapore - Renaissance City").

Despite all these various nuances to the conceptualization of creative economy, in the scientific literature we can identify three core mainstream approaches that exist within the European space: British, French and Northern countries.

3. The British Approach - Creative Industries

As KEA report states it, the identification of the clear origins of the concept of "creative industries" is difficult to make (KEA European Affairs, 2006, p. 46). Some studies show that it was formally used for the first time in England, others attribute this merit to Australia, which in 1994 has launched its cultural policy (Keating Government), entitled Creative Nation. Although designed as a cultural oriented policy, the document included economic measures, strategies and funding plans, highlighting the economic importance of cultural activities and the arts. Therefore, the optics in which the term creativity has been used is that this cultural policy has been designed and implemented as an economic policy. This was meant to help Australia meet the demands of the revolution happening in information technology sector and to find its own place in the world's culture.

In Europe, however, the concept has been introduced by the Department for Culture, Media and Sport's (DCMS) 2001 of the United Kingdom, within its Mapping Document, with the purpose of measuring the economic contribution of these industries to the UK, identifying the opportunities and threats they faced, and setting a blueprint for action for both British Government and the industries. (DCMS, 2001, p.4). Further, the term was included in other policy making documents, such as Creative Britain report (DCMS, 2008), where it was related to the technological developments driven by the new economy. Similar to the Australian perspective, the principle invoked in the document was that "when creative and media industries join with digital technology, they become an essential source of jobs and creativity for the whole economy" (Moore, 2014, p.740). Looking at the 2018 horizon, the report's authors explained: "The vision is of a Britain in ten years' time where the local economies in our biggest cities are driven by creativity, where there is a much expanded range of creative job opportunities in every region with clear routes into creative careers from local schools and colleges, and where every young person believes they have a real choice to use their talents in a creative capacity. It is a vision of creativity as the engine of economic growth for towns, cities and regions. It's also a vision of dynamic, innovative, successful creative businesses providing prosperity and fulfilling job opportunities right across the country" (DCMS, 2008, p.6). The approach has gained popularity and it has spread across among some European space (see Table 1), being addressed by governments and organizations, although with certain particularities and differences from case to case. As a common feature, European scholars incline to divide the creative industries into two categories: first, the core creative (arts related activities) industries and partially creative industries (advertising, architecture, and design as well as media industries) (O'Connor, 2007).

Table no. 2. Creative Industries Approach

Approach	Economic
Definition	"Those industries that originate in individual creativity, skills and talent and have the potential to secure wealth or create jobs by generating and exploitation of intellectual property" (DCMS, 2001)
Criteria	"Creativity" is the main input in the production process Intellectual property (and not just copyright) characterizes the outputs of this industry
Main fields/ sectors	Advertising, architecture, arts and antiques markets, crafts, design, fashion, film and video industry, interactive entertainment software, music, performing arts, publishing and printing, software and hardware services, radio and television. Activities include: creation, production, distribution, dissemination, promotion, educational and media activities
Comparison to the other approaches	The approach is one of the most extensive.

Source: (KEA European Affairs, 2006, p. 47)

Considering their essential role in the socio-economic process of adoption and retention of novel ideas, creative industries are seen as important components of the innovation system within the new economy. (Berg & Hassink, 2014, p.657).

4. The French Approach

In its first, singular form from 1944, the term "cultural industry" was attributed to negative connotations due to the critics of Theodor W. Adorn, a representative of the Frankfurt School. The term was depicted as "an instrument of the capitalist elite to deprive both artists and artwork of their intrinsic value and transforming the consumer into a pseudo individual" (KEA European Affairs, 2006, p. 47). Later, in the 1970s, the concept "cultural industries" (in the plural form) acquired positive meanings, being considered in the research of the economy of culture. Due to the John Myerscough's efforts, concretized in the book The Economic importance of the Arts in Great Britain (1988), cultural industries' study received an increasingly attention. Over time however, the expression was used interchangeable with "creative industries" syntagma. This made room to various attempts, considered more appropriate for various circumstances or regions, in creating delimitation on the two approaches. For example, David Throsby (2008) proposed a model of the concentric circles for describing cultural industries. According to his view, the activities that use artistic creative ideas to produce goods and services of high cultural value are placed closest to the core of the model (literature, music, performing and visual arts), while the ones that embody less inputs of this type are set at the outer layers of cultural industries, respectively other core creative industries (film, museums, galleries, libraries and photography); wider cultural industries (heritage services, publishing and print media, television and radio, sound recording and video and computer games); and related industries (advertising, architecture, design and fashion).

In the analysed report, KEA defines the cultural industries as including industrial and non-industrial sectors. "Culture constitutes a final product of consumption, which is either non-reproducible and aimed at being consumed on the spot (a concert, an art fair, an exhibition) or aimed at mass reproduction, mass-dissemination and export (a book, a film, a sound recording)" (KEA European Affairs, 2006, p. 44). For assessing the contribution of culture and creativity to the European economy, the report proposes a conciliation alternative - "cultural and creative sector", presented in Table no 3.

Table no. 3. The Cultural and Creative Sector

Tuble no. 5. The Cultural and Creditive Sector				
THE CULTURAL AND CREATIVE SECTOR				
CULTURAL SECTOR	CREATIVE SECTOR			
Core arts field	Creative industries and activities			
Visual arts, Performing arts, Heritage	Design, Architecture, Advertising			
Cultural industries	Related industries			
Film and video, Television and radio, Video	PC manufacturers, MP3 player manufacturers,			
games, Music, Books and press	mobile industry and others.			

Source: simplification after (KEA European Affairs, 2006, p. 56)

Even with the various delimitations proposed by scholars or organizations in order to classify and categorize these sectors, the *cultural industries* term remained popular within certain countries, although with different meanings and perspectives. This is the case of France (Laurent, 2014), where the Department of Studies, Foresight and Statistics (fr. Département des études, de la prospective et des statistiques, DEPS), within the Ministry of Culture defined the sector as an independent economic segment within the culture sector which groups together all businesses and independent traders that are involved in the creation and distribution of artistic products and services in the market (DEPS-Ministry of Culture, 2011).

Table no. 4. Cultural Industries

Approach	Economic/ Statistical
Definition	"A set of economic activities that combine the most industrialized design, creation and
	production functions of large-scale manufacturing and marketing, using material and
	information technologies"
Criteria	- Outputs target massive reproduction
	- Outputs are characterized by copyright (and not intellectual property)
Main fields/	Publishing houses and printing houses; press and media studios.
sectors	Audio-visual activities (movie, TV, etc.)
	Directly related activities (advertising, multimedia, press agencies)
Comparison to	In contrast to the other approaches, the French one does not include educational activities
the other	press critic activities, or the activities of collective management societies.
approaches	

Source: (KEA European Affairs, 2006, p. 47)

5. The Northern Countries Approach - Economy of experience

Along de approaches mentioned before, another term regarding various creative economic activities is the *Economy of experience*, introduced in 1967 by Guy Debord to highlight the growing impact of the spectacle mass society (KEA, 2006, p. 48 *apud* Huijgh & Segers, 2006). Therefore, the term "experience" in the syntax is understood as the ability to feel, to live or to experience, and does not refer to the accumulation of knowledge, skills, etc. in time. Subsequently, the concept was introduced in the economic field, being used to describe the economy of experience, the stage that succeeds service economy in the development of human civilization. The central idea in this optics is that only a fraction of the price of a product is made up of its physical value. The rest depends on the experience it can induce the consumer.

Table no 5. Economy of experience

Approach	Economic
Definition	"Economy of experience implies that only a fraction of the price of a product is made up
	of its physical value; the rest depends on the experience it can induce the consumer."
Criteria	- Experience is defined and actively recognized by the consumer
Main fields/	Fashion, visual arts, music, toys and amusement, tourism, books, theatre, radio and
sectors	television, architecture, sports industries, design, printed media, film and video,
	advertising, edutainment, content production, events, cultural institutions.
Comparison to	Comparing to the "creative industries" approach (comprising following sectors:
the other	advertising, architecture, the arts and antique market, crafts, design, designer fashion, film
approaches	and video, interactive leisure software, music, performing arts, publishing, software and
	computer services, radio and television), the experience economy also includes
	toys/amusement, tourism, sport, edutainment (Danish Ministry of Culture, 2003).

Source: (KEA European Affairs, 2006, p. 48)

6. Conclusions

The identified approaches have some particularities and obvious differences, especially in terms of the sectors included, which could be partly explained by the modifications in the specialisation profiles of the countries/regions that embrace them, as well as in the dynamics of the domestic economic activities which valorise creativity. The lack of a homogeneous European approach in terms of strategy is also due to the role played by policy makers, at national and European levels. As Boix et al. (2014) has argued, when it comes to the persistent differences of European approaches and policies towards creative economy, the "lack of dove-tailing with the European Union smart agenda is argued to be a cause of concern". Considering EU, although it has already taken steps in the right direction in promoting investments in creative industries (e.g. Creative Europe programme), more solid bridges have to be built between the different approaches, policies and agendas in order to assure the premises for developing a strategic partnership dialogue and cross-border collaborations for supporting the European creative actors.

7. Acknowledgements

This paper is supported by the Jean Monnet Module "Culture, creativity and human capital: pillars for European Union's prosperity"- EUcreaTip, cofounded by the European Union (587908-EPP-1-2017-1-RO-EPPJMO-MODULE).

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Political Parties in the Global Context

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Abstract

In a more connected world than ever, with an expanding global market, old businesses that once used to dominate the markets found themselves facing big problems when new business models emerged, when the internet led to the birth of e-commerce and different kinds of shopping channels and experiences. Globalization proved to be helpful for those who understood the opportunities and chose to adapt, but fierce for those who did not evolve.

Much the same, the political competition has been influenced by globalization, showing changes worldwide, from status quo infringement in the political debate and public speech, to the electoral wins of new political players against the establishment. This paper will take a closer look on the changes brought by globalization to the political entities, in comparison to for-profit enterprises, and will try to assess whether they can be deemed positive or negative in regard to the society.

Key words: marketing, globalization, political marketing, parties, social media

J.E.L. classification: M31, F68

1. Introduction

Marked by the evolution and adoption of the internet in the 1990's, political communication has evolved rapidly and it has integrated the new means of communication, starting with the websites and e-mails, and advancing to social media and personalised online messages, after the year 2000. Political parties had to adapt to the speed and intensity of the changes, keeping the pace of the society, in order to enter, or to still be a part of the political scenery.

There are more and more voices, inside democratic countries, that ask for a change in the status quo. The representative democracy model, that has deep roots in the Western civilisation, is being questioned more and more. Bowler et al. looked at the American political market and found out that citizens adhere to the idea of direct voting and closer bounds between their opinions and the vote of the representatives. But this does not mean that the electors want to be more engaged and to spend more time in regard to politics. Most of them probably want to feel that they have more to say in formulating policies fit for their needs, while the ones that truly want direct democracy are the ones really disappointed in politics, or the ones that are engaged citizens, willing to fight for changes(Bowler et al., 2007).

In the XXI century, information travels faster than ever before and the national borders started to have less importance in stopping expanding trends. Disappointment in the governmental process and the state is growing in many parts of the world, while the main themes surfaced are becoming transnational. Protesting and radical movements have reached new areas of the globe, as it was in the case of the Arab Spring, and are growing in intensity. The people of non-democratic countries asked for democracy, while the ones under established democratic regimes wanted changes in the way their democracy is working.

Globalization brought back in the public's eye problems that were almost forgotten in most European countries, such as immigration, loss of national identity and internal decision-making, economic problems, or trade wars. This proved to be a fertile ground for the reappearance of extremist political movements, or even populist and radical discourse from some former more conservative parties.

In an interconnected world, politicians have to think and act quicker, they have to be informed about not only local matters, but also regional and world issues. Therefore, the time for slow-paced politics is over. Long-term plans are being readjusted periodically, due to the intensity of the changes in worldwide politics nowadays, and the focus is on understanding and catching the sentiment and the current views of the electorate. Political parties and politicians must understand the globalization of politics and political marketing, in order to gain competitive advantages and to remain relevant in today's society.

2. Theoretical background

Looking at the influence exercised by globalization on political trust, Fischer considers that adopting policies fit for the global markets can alter the perception of the constituents on the policy makers. It is thought that electors can feel that their needs are not addressed by a globally-focused approach from the government, thus considering it a failure in respecting the electoral promises(Fischer, 2012). Conducting a pilot study, Anker discovered that globalization and marketing can come in the help of promoting some democratic values, that can be identified even in non-democratic countries. Through branding and positioning, a corporation can both endorse social values and gain business success(Anker, 2014).

Lilleker and Vedel analysed the evolution of media in campaigns, focusing on the emergence of the internet and its presence ever since. Its influence is obvious, as it is in our daily communicating habits, and it definitely helped bring people closer. The authors consider that the internet and new media cannot lead to success by themselves, but there is the need of a mix between mainstream media and new channels. Alongside the benefits of the new technologies, there are challenges and risks that political entities must understand. Just like businesses looking for profit, that are exposed to the volatility of the new communication channels and their speed, politicians must face these situations and respond(Lilleker et al., 2013).

Archetti researched the changes in the image and self-presentation of politicians, in today's interconnected world, and states that politics is still about relationships, that affect even the impact of the new communication means. The politicians have evolved alongside the society and their image is created through social interactions, with the public being an important part in the process. Therefore, the impact of new media and image building methods depends on the engagement and involvement of the politician, the media and the public(Archetti, 2017).

At the time of the 2014 European Parliament elections there was a context of Euroscepticism and an Eurozone crisis, according to Nulty et al., which, with the presence of micro-blogs and social networking sites, could have turned the round of elections into more than an extension of the national political fight, towards European-focused matters. The scholars analysed the discourse and reactions on Twitter, finding that although there were common subjects, they were debated at a local level, not transnational. The ideological positioning between left and right did not divide the electors, as it often used to do, but rather their attitude towards the European Union and its challenges(Nulty et al., 2016).

In a research about e-governing and its effects on the level of confidence, Tolbert et al. discovered that the constituents who have already voted, who are educated and have a higher income, are more likely to interact with e-governing, rather than the ones who actually come in contact with governmental agencies in their daily lives. Also, it resulted that the young are the most interested in e-governing, due to their openness to new technologies (Tolbert et al., 2006).

Albertazzi et al. consider that in Europe the context helps the populists expansion, due to the fact that party membership numbers have declined substantially. Also, the populists show the capability to convince the disenchanted electors that this time the votes truly matter, or that they are different from the mainstream political class. The authors believe that the trend of rising populism in the Western European countries, that took speed in the last decades, is not near of losing its power, but is even heading towards more exposure and electoral gains. Nowadays, populism is present in governments, in parliamentary coalitions and at a local level, through radical parties and politicians, or even in the the discourse of mainstream established political figures(Albertazzi et al., 2008).

According to Pasquino, the emergence of populism is possible in any contemporary democratic state, because of the different nuances given to the principle of people's power in a democracy. The rise in populist claims and hate speech, or even in the number and power of populist political entities, reveals a lack of functionality on the political stage. Appearing as a result of instability and poor democratic ruling by the existing politicians, populism does not improve the functioning of the system, but it rather hurts a democratic state. On that account, populism cannot deliver its claims, and it drives constituents towards radical actions, hate and violence, or towards political apathy and a deeper lack of trust. The author identifies that the major problems of populist movements and some potential reasons for their failure to improve societies are: the hate and total opposition towards other political entities and the refuse to consider political enemies as competitors; the massive belief that the populist leader can by himself solve all of the problems, replacing competency with charisma and tough speeches, while ignoring the whole party or other influential members; and the decline in trust in the institutions that are meant to act as a liaison between constituents and the elected, because of populist politicians promoting a direct leader-elector relationship as an alternative, therefore hurting the existing system(Pasquino, 2008).

3. Methodology

I have chosen a systematic literature review based research, starting from the rapid expansion of political communication, that took place since the 1990's, until today's evolutions on the political market, in order to asses the transformations that political entities have suffered and the possible connections to globalization. In building a proper framework of political players nowadays and of their place in the globalised world we live in, there is a need to understand and correlate many factors, belonging to domains such as: social, economic, technological, legislative or international affairs. The goal of this paper is to try to explain if globalization's influence on politics has improved the society we live in. I researched whether it has helped more representative parties and politicians to come to the stage and have a chance, or if these changes made the voice of the people be heard and, thus, their needs be better addressed. On the contrary, the global nature of political marketing and its advancements could have served only as a tool for identifying winning strategies, with the intent of coming into office and promoting powerful and impactful messages, without being representative and a real change for the better.

4. Findings

Focusing on the rise of populism in Western Europe, Mastropaolo revealed that most of the parties have adapted to today's politics of rather solving urgent problems, than to strategic planning and developing. The ones with extremist positioning and discourse are not necessarily opposing the established democratic system and values, but they are promoting ideas that belong to a believed to be better past, before the globalization's effects and the Establishment's negative ruling. Plausible reasons for the changes on the political market, that are affecting all of the parties, could be: the social and economic evolution that led to different types of businesses, with more consultants, distributors and experts, than with large number of employees, model that has been adopted by massmarket parties, who relied formerly on their members, and are now more professionalized and use external PR and political marketing; the switch in the public discourse and in setting the agenda, now moved from the political parties, into the media's playground; the increasing number of intermediaries between politicians and constituents, such as lobbyists or interest groups and organizations; and the changes in the cultural, social and political status quo, with a dissolution of ideologies, with new forms of participation, and with social boundaries fading more and more (Mastropaolo, 2008).

Social media has a central role in most of today's societies, with a growing number of users and with more time spent online, and it could not have excluded politics from its areas of interference. Barbera believes that we are not only exposed to like-minded content and to information fit for our views, but that social media widens the range of information and opinion that we come across online. This is combined with the fact that people with divergent opinions and of different political preference engage in discussion with each other, being exposed to multiple points of view. The

author's research on Twitter users led to the belief that the political polarization can be reduced thanks to this exposure to information coming from multiple sources, weakening the formation of massive groups of captive electorate(Barbera, 2015).

The possibility of increasing participation in politics through social media seems plausible, considering the penetration rate in the case of young people, who are usually disengaged and not a priority segment targeted by politicians. Social media has helped in organising many protests and social movements across the world, with people moving from the online discourse, to offline events, and it has brought into attention new civic figures, people whose opinions gained interest and engagement from other social users, to a level comparing to those of mainstream news outlets, analysts, politicians, or even parties. While the pluralism of ideas and political views is considered to be positive and it can show an increase in social and political participation, for political entities, and for the society as a whole, it can cause more harm than good. With lower barriers for pushing a subject in the public eye, it can be argued that the main problems can be shadowed by numerous others of a lesser importance to the general public, and that the political and professional elites are being replaced, in terms of visibility, engagement and trust, by rising civic actors, often in opposition to the Establishment.

5. Conclusions

Often characterised by speed, the XXI century brought many global changes. Commercial trades are redefining our way of life, with societies being closer one to the other, with more and more global corporations and international business ties, and with an accelerated process of globalization. Faster and more than ever, companies grow and expand, mainly due to the important technological advancements. But with the rise of new companies or with the growth of those that understood and changed to fit the new business context, there are also many established businesses, of all sizes, that failed to do so and have disappeared.

Much the same, political entities face a new paradigm. The mainstream media focused electoral campaign is no longer successful on itself and survival on the political stage depends on adapting to the new state of facts. What was once a confrontation between two big parties, in most of the democratic world, had turned into a busier market, with numerous new figures emerging. The road to popularity and relative electoral success is shorter nowadays, thanks to the Internet's influence in a faster, more connected and unstable world.

Globalization is one of the most important processes that influences our lives. Even if knowingly or not, every important element of our societies is being impacted by exchanges of all sorts. We can consider globalization to be an important and logical step in evolution, thus we need to understand both the possibilities and the threats it is bringing. Political actors must adapt and formulate programmes and policies fit for the globalized world that we are part of. Alongside the opportunities, there is an increasing number of problems that politicians need to address: from radical movements, hate speech, disengagement with politicians and established political parties, to immigration, world economic problems and the legal context.

There is need for research in this field, in order to better understand and to try to establish a framework for a genuine XXI century political entity. Although this paper has highlighted some of the coordinates of today's society and politics, a closer look at the evolution of political players is needed for a full understanding and a correlation between political actions and short or long-term results.

The democratic world has been influenced constantly by globalization and the increasing international exchanges shaped a new attitude towards politics. Even though there probably is no successful framework that can be imported and applied with the same results in a different society, the similarities and influences are visible. In a time of diluted ideology, with a spectacular increase in the number of channels of communication and also with increasing doubt in the governments, the adoption of new political views and positioning, that resulted in successes in other countries, is inevitable.

In the search for success, be it profit for the businesses, or votes for political contestants and parties, learning and adapting to new contexts is essential. We live in the age of disruptive technologies, where business giants failed to respond properly to the changes and to survive with their old

business models, and where new companies have developed and expanded at a rate unlike ever before. This is a lesson that politicians have to learn as quickly as possible, both in order to remain relevant on the market or to successfully challenge the status quo. With more and more radical movements making their way to governing, with Brexit and other nationalist quests, with increasing hate speech and fake news, it is clear that democratic politics is at a crossroads. For all the advancements in knowledge and technology to be helpful in the evolution of the society, there is a need for responsibility and strategic planning on the political market. Politicians have to decide the role of their countries in the global context, their attitude towards change and internationalisation, and how to position themselves accordingly in front of the electorate.

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The Evolution of Trading with Agri-food Products in European Union

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Abstract

The following paper addresses: the evolution of trade in agricultural and food products in the European Union between 2002-2017, highlighting both, the most competitive and also the least developed countries in this area. The European Union is the world's leading actor in the field of trade, being a great economic, commercial and political power. The benefits this fact generates for each country member of the European Union are multiple: it provides citizens with better quality of life, offers them a wide range of products, gives countries opportunities for growth, for a bigger and fairer marketplace, where customs duties were eliminated in trading between members and merged for goods imported from third countries. Because of this position, the European Union has a decisive role in the negotiations made inside the World Trade Organization.

Key words: trade, export, import, commercial balance of trade

J.E.L. classification: Q17

1. Introduction

The European Union, as an economic entity, is the world's leading trading actor for the following reasons: (European Institute of Romania, 2005)

- is the world's largest exporter, with a proportion of approximately 20.0%;
- is the world's largest exporter of services, with a proportion of about 25.0%;
- is the largest source of incoming foreign direct investment and also their second destination;
- represents the largest market for exports from around 130 countries, which also supports their development;
- represents a fairly open economy, accounting for more than 14.0% of the international trade in the Gross Domestic Product (higher than the Gross Domestic Product of the U.S.A. and Japan).

The current European agricultural model is based on a competitive, market-oriented field that aims to protect the environment. The food and agriculture industries are vital economic fields in today's world because they provide food which, indifferently of their nature, vegetable, animal or mixed, are indispensable to people.

The paper analyzes the evolution of the export, import and trade balance in the 28 Member States of the European Union between 2002-2017, the importance of the subject being crucial, considering the role of the trade in the economy. It will also highlight Romania's position within the European Union.

2. Theoretical background

Trading is the activity of purchasing raw materials or just products to resell them at the same physical stage, but under conditions that are convenient to consumers. (Patriche et al., 1999)

If commerce was initially made by exchanging a product with another product, it later decomposed into two operations: sale and purchase, with the switch to the use of the coin. From this moment real trade began.

This has been a continuous development, as society is constantly evolving, as also are consumer's habits, replacing traditional foods with products that are increasing in nutritional performance due to the assortment explosion. Also, an important impetus in the development of trade has also been the development of the means of communication that have led to the emergence of virtual trade, the agriculture that has continuously specialized better and better and the continuous improvement of the trade and transport routes.

At present, nobody can say that a particular country can develop under normal conditions without external economic relations, and that one of the most important problems of human society is to satisfy as much as possible the consumption needs of people in a context characterized by resource constraints and compliance with environmental protection requirements. (Antoci, 2015)

Trade itself plays a big part in development. The European market absorbs a significant part of the exports of the developing countries and is determined to further help these countries through initiatives such as "Everything But Arms" which aims to fully liberalized the market towards the least developed countries. (European Institute of Romania, 2005)

3. The evolution of trading with agri-food products in European Union

The exports of agri-food products, beverages and tobacco from the States Members of the European Union reached 466.2 billion euros in 2017, after an annual growth with 5.7% and by 2.2 times more than in 2002, placing the European Union first in the exporters of agri-food products, beverages and tobacco worldwide, with a trade surplus of 13.2 billion euros.

The diversification of exports has been the key concept in achieving this performance. In addition to finding new markets, the relationships with existing partners have become even more productive. The ranking of major global exporters of agri-food products, beverages and tobacco have remained unchanged in 2017, after the European Union replaced the United States of America in the top of the list in 2013. (European Commission, 2016)

The European Union exports to all five major current partners: the United States of America, China, Switzerland, Russia and Japan have grown. The Commission has also made progress recently on the multiple bilateral trade negotiations, thus continuing to open up new markets for agri-food products in the European Union. Since September 2017, the Comprehensive Economic and Trade Agreement (CETA) with Canada has been provisionally applied. In December 2017, the European Union and Japan reached an agreement, currently under ratification, on an economic partnership agreement with multiple benefits for the European agri-food sector. A Principal Agreement with Mexico on the modernization of the current trade agreement was also made in April 2018. (European Commission, 2018)

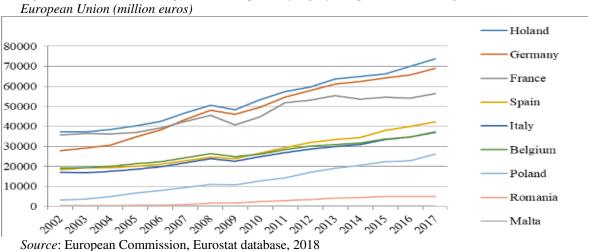


Figure no. 1. Main developments in exports of agri-food products, beverages and tobacco to the

At the moment, the main exporting countries of the European Union are: the Netherlands with a value of 73789.7 million euros representing 15.8% of total exports of agri-food products, beverages and tobacco from the State Members of the European Union, Germany with 14.8%, France with 12.1%, Spain with 9.1%, Italy with 8.0%, Belgium with 7.9%, Poland with 5.6%, United Kingdom with 5.4%, Denmark with 3.7% and Ireland with 2.7%.

It is worth noticing that Holland has been the main exporting country of the European Union throughout the whole analyzed period.

Countries with the lowest values of exports of agri-food products, beverages and tobacco from the State Members of the European Union are: Finland with 1534.5 million euros, Luxembourg with 1138.6 million euros, Estonia with 1107.7 million euros, Cyprus with 368.1 million euros and Malta with 241.1 million euros, representing less than 1.0% of the total.

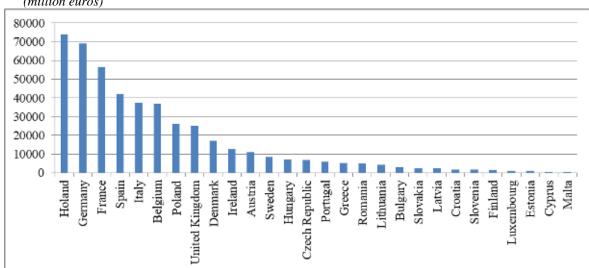


Figure no. 2. Exports of agri-food products, beverages and tobacco to the European Union in 2017 (million euros)

Source: European Commission, Eurostat database, 2018

Romania was ranked 17th in 2017 in this ranking with a value of exports of agri-food products, beverages and tobacco from the State Members of the European Union of 4929.8 million euros, representing 1.1% of the total.

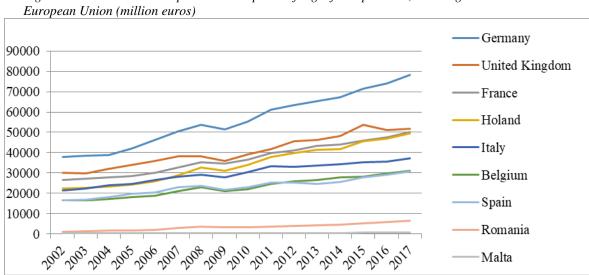


Figure no. 3. Main developments in imports of agri-food products, beverages and tobacco in the

Source: European Commission, Eurostat database, 2018

On the other hand, imports of agri-food products, beverages and tobacco from the State Members of the European Union accumulated 453.0 billion euros in 2017, after an annual growth with 5.2% and by 2.1 times compared to 2002. The most important sources for imports of agri-food products, beverages and tobacco from the State Members of the European Union were: Brazil, the United States of America, Norway, Argentine and China.

In the recent years, the European Union has been able to diversify its supply sources, with the share of the two main countries of origin, Brazil and the United States of America, those decreasing in the favor of other suppliers. The European Union is essentially supplying with three main types of products from non-EU countries: products which are not or are only manufactured to an extent in the member countries because of natural conditions, products that are mainly used for feed animals and products that are used as ingredients in further processing. (European Commission, 2018)

The main countries importing agri-food products, beverages and tobacco in the State Members of the European Union in 2017 are: Germany with a value of 78100.8 million euros, representing 17.2% of the total, the United Kingdom 11.5%, France 11.1%, the Netherlands 10.9%, Italy 8.2%, Belgium 6.9%, Spain 6.8%, Poland 3.7%, Sweden 3.1% and Austria 2.5%. Throughout the years of the review, Germany has always been at the forefront of the hierarchy.

Countries with the lowest values of imports of agri-food products, beverages and tobacco in the European Union State Members are: Latvia with 2448.2 million euros, Luxembourg with 2208.5 million euros, Estonia with 1435.6 million euros, Cyprus with 1086.2 million euros and Malta with 677.8 million euros, representing about 1.7% of the total.

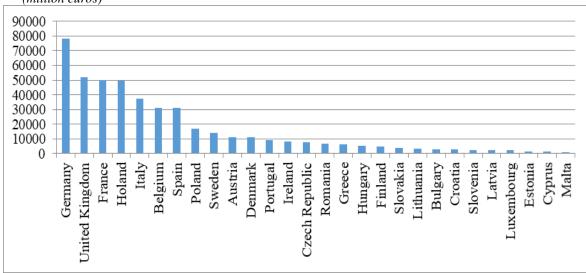


Figure no. 4. Imports of agri-food products, beverages and tobacco into the European Union in 2017 (million euros)

Source: European Commission, Eurostat database, 2018

Romania ranked 15th in 2017 in this ranking with an import value of 6595.9 million euros, representing 1.5% of the total imports of agri-food products, beverages and tobacco in the State Members of the European Union. It is worth mentioning that Romania has positioned itself in the same area of the ranking when it comes to exports, while Estonia, Cyprus and Malta have been in the last three places.

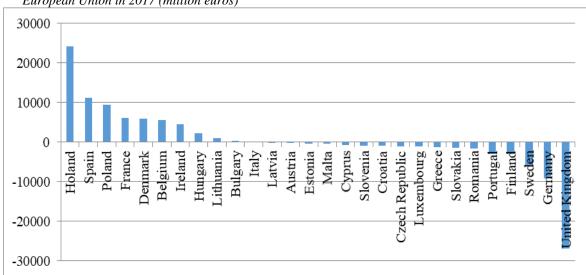
20000
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2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017
-5000
-15000

Figure no. 5. The evolution of the trade balance for agricultural products, beverages and tobacco in the European Union (million euros)

Source: European Commission, Eurostat database, 2018

The trade balance of the agri-food products, beverages and tobacco in the State Members of the European Union fluctuated during the analyzed period from -3250.9 million euros in 2002 to 13191.1 million euros in 2017. It shows a surplus in trading starting with year of 2011.

Figure no. 6. The evolution of the trade balance for agri-food products, beverages and tobacco in the European Union in 2017 (million euros)



Source: European Commission, Eurostat database, 2018

Countries with a surplus in trade that involved the selling of agri-food products, beverages and tobacco in the European Union in 2017 are: the Netherlands 24203.8 million euros, Spain 11277.5 million euros, Poland 9400.4 million euros, France 6169.2 million euros, Denmark 5903.8 million euros, Belgium 5675.3 million euros, Ireland 4628.5 million euros, Hungary 2273.7 million euros, Lithuania 1024.3 million euros and Bulgary 372.9 million euros.

The largest trade deficits for agri-food products, beverages and tobacco were registered in 2017 by: Portugal 3045.4 million euros, Finland 3055.2 million euros, Sweden 5836.3 million euros, Germany 9165.4 million euros and United Kingdom 26777.1 million euros. It should be noted that although Germany and the United Kingdom are among the most important countries of the European Union in both importing and also exporting, they are also registering the largest trade deficits for agri-food products, beverages and tobacco.

4. Conclusions

This paper aimed to analyze the exports and imports of agri-food products, beverages and tobacco in the European Union State Members, which had an upward trend during the period of 2002-2017, except for the year of 2009 when they recorded a slight decrease with 5.8%, respectively with 5.3% compared to the previous year. Trade balance has had a commercial surplus from 2011 and up to today, with 2017 being at 13191.1 million euros.

Agriculture is now a vital sector for the European Union, which actually is not developed and capitalized to the full capacity of some State Members. For example, if we compare yields in Romanian agriculture with those in the nordic countries, we will notice the existence of very large gaps.

The existence of larger and more liberalized markets also means an increase in competition between companies and also between countries. Having a place for countries with different levels of development in this competitive process can lead to deepening gaps between developed and developing countries, or even deepening underdevelopment. The European Union also acts to provide developing countries with the opportunity to participate as widely as possible in international exchanges and also to assist them when they are in difficulties. (European Institute of Romania, 2005)

In my opinion, countries should focus on organic farming and the capitalization of national culinary traditions and legacies.

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The Underground Economy in Romania

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Abstract

The article aims to present conceptually the underground economy, the appearance and the main characteristics of this phenomenon, especially within Romania. The underground economy is a difficult concept to set in terms of a strict definition. The main purpose is to maximize incomes indifferent to the means and methods used that contravene norms with social and legislative character. Thus, it can be said that the emergence of the underground economy coincided with the very emergence of the state which imposed norms, laws, rules related to its activity and taxpayers. In Romania, in the last years there has been a decrease in the size of the underground economy from 48.9% in 2006 to 38.4% in 2016. The phenomenon of the underground economy is present worldwide and can reach remarkable dimensions. The Government of Romania must take effective policy measures to counter this phenomenon and make it less attractive to work in the area of the underground economy.

Key words: Romania, underground economy, corruption, tax, government

J.E.L. classification: E6, H2, K4

1. Introduction

The underground economy is a difficult concept to set in terms of a strict definition. Its obvious goal is to maximize revenue regardless of the methods and means to be used. It is an ensemble of organized economic activities that are carried out in violation of social and economic norms, the purpose of which is to generate revenues that escape state control. If we go from this definition, we could say that the emergence of the underground economy coincided with the very emergence of the state that imposed rules, laws, rules related to its activity and taxpayers.

The oldest forms of underground economy that we might recall were: poaching, the use of clandestine distilleries, illegal trade in precious stones and special fabrics and border traffic with consumer goods missing from the market organized in the socialist system.

After the revolution by liberalizing the frontiers and the movement of people, new and dangerous forms of big business emerged: arms trafficking, drugs, tobacco, alcohol, live meat traffic, the amounts of these activities multiplying exponentially and representing a fierce temptation for those who have subscribed to the underground economy.

2. Theoretical background: The emergence of the underground economy concept. Factors and Effects

The first international concerns related to this concept were reported in the 1970s, when there was a lack of consolidated legislation in the field, legislation supplemented by appropriate legal rules to combat unfair competition and corruption.

The first economist to report the phenomenon was named P. Gutman and published in 1977 in the Financial Analyst Journal an article titled The Subterranean Economy, pointing out that there are economic activities that are not statistically recorded, and those who can no longer be neglected. Shortly, specialized literature attributed other meanings to this type of economy: underground, black, irregular, closed, unofficial, parallel, informal, clandestine, dual, cash - these terms being taken from the translation of several international laws.

The factors that led to the amplification of this phenomenon are:

- Reporting by officials in official statistics of errors that could not be explained;
- Recording mistakes in government policy due to erroneous perception of economic reality;
- Obtaining conclusions that were not realistic when investigating the economy of households that distorted reality;
 - Reporting of increasing and frequent dysfunctions in the system of taxes and duties.

Subsequent forms of underground economy included numerous tax fraud practices, clandestine work, drug production and trafficking, corruption, unregistered domestic activities, unregistered activities in the national accounting system, etc.

We consider that the main possible causes of the underground economy, at least valid for Romania and for many other countries, would be:

- Tax pressure exerted by the State through direct and indirect taxes: There are many economists who have highlighted the statistical relationship of the above-mentioned comparison, especially direct taxes, being the main cause, as taxpayers pay attention to the exaggerated size that the state sets as a levy, thus putting a *desertion* front of payment, and this is amplified by the multitude of complementary indirect taxes (especially consumer taxes).
- The intensity of regulation is another factor that binds the freedom of individuals who are employed in the official economy (a fact that has been reported in the field of black labor market in the case of border trade traffic and the restrictions on the labor market for foreigners). These restrictions have the effect of substantially increasing labor costs in the official economy and reducing them for black work. In this case, governments would have the solution to improve labor and trade laws not increase their number.
- The public service sphere is a factor that increases the dimensions of the underground economy, as budget revenues are low and therefore the revenues of the public servants are affected (their salaries), all having the effect of decreasing the quality and quantity of goods in the medium and long term; public services, officials become corruptible, trying to counteract state neglect of their public functions.

The decision to choose the area of the underground economy will always be based on a "cost-benefit analysis, in which black labor and tax evasion will be much more attractive compared to normal earnings" (ICEG EC, 2006).

The main harmful effect of the underground economy is how it will affect the fiscal health of the state in which it is present. There are economists who say that if governments were able to control the forms of the underground economy, many public sector tax issues could be limited. Another effect is that the underground economy will absorb an important part of the redundant workforce in the public sector (which will go over it in an outward-looking way). The attempt is made to gradually transform the underground economy into an official economy that establishes its own links and regulations.

3. The underground economy in Romania

If we were to undertake an analysis of the underground economy, the first reference should be to the parallel between it and the level of taxation, then we should address the issue of corruption and illegal work.

It is noted that the few percentages that represent the increase in taxation in the European states have generated a real infusion of tax evasion. Increasing the level of taxes should in all cases impose an increase or decrease in prices that affect everyone, but mostly the final consumers. Under these circumstances, the underground economy will register overcompensation by providing cheap, low-quality products by tax evasion, as clandestine manufacturers will practice prices that compete unfairly against prices in the real economy, while more and more businesses will be attracted by the underground economy taxpayers that the state additionally imposes on them, and the possibility of undeclared work whereby some individuals will obtain profits from the non-declaration and non-taxation of salaries that they offer to those who work illegally.

Experts in the field have calculated "the impact of tax increases on the underground economy, showing that the increase in the marginal rate of income tax by one percent, the growth recorded by the underground economy will be 1.4%." (Tanzi, 1983) The same economists claim that if the

amount of undeclared earnings increases by 0.05%, for each percentage increasing the amount of tax revenue will question the revenue increase by reducing the tax evasion, which would be sufficient to cover the losses caused by the decrease taxes.

If we are to offer practical data on the increase of the level of taxation and its influences on the underground economy, we can show that in 2006 Romania was at the middle of the ranking of some of the EU countries: in Romania "the total number of taxes was 89 (4 for economic agents, 60 for taxes on labor income, 25 for other taxes and fees) compared to the extremes of this analysis, for example Latvia having 8 taxes (one for the income of economic agents, 2 for taxes on labor income, 5 other taxes) and Latvia being the minimum tax analysis threshold, while Slovakia ranked first with a total of 344 taxpayers (of which 80 on the income of economic agents, 120 on labor income, 144 other taxes and taxes)"(PriceWaterhouseCoopers and World Bank, 2007).

If we analyze the tax rates in the Central and Eastern European countries at the same time, we can show that in Romania in 2006, the total tax rate was 48.9% (in which the tax rate of the agents' income the economic tax rate was 9.3%, the labor tax rate was 38.6%, while the official rate of tax on economic agents' income was 16%), from which it was clear that the value of the labor tax was extremely high leading both businesses and people working illegal. However, in 2016 Romania experienced a decrease in the total tax rate from 48.9% in 2006 to 38.4%, being below the EU average (40.3%). The official results indicate that "a rise in the underground economy with a percentage of GDP leads to a decline in the GDP of the same state by 1.22%, which leads to a destruction of the economy of that state" (Miritoiu and Popescu, 2009).

Also, the underground economy is complementary to corruption due to the fact that taxpayers can plunder with tax inspectors so that they no longer report the debtor's debts in exchange for certain bribe amounts, which in fact express the institutional quality of civil servants and the ANAF(National Financial Management Agency) itself. In high-income countries, the official sector is governed by law and coercion. In low-income countries, there may be other mechanisms to take over, so that economic agents end up corrupting civil servants in all areas. Corruption appears to "pay for activities that protect the underground economy so that" entrepreneurs "in the underground economy make sure they are no longer" detected "by the authorities" (Miritoiu and Popescu, 2009). Thus, we can assert that the underground economy and corruption are mutually reinforcing, so that in low-income economies the activities of the underground economy and corruption can be substituted (civil servants have wages that are large enough to stop committing illegalities and doing their duty).

In order to show the impression and size of the underground economy due to corruption, Transparency International has launched a Public Corruption Perception Index (CPI) in 180 states, using a comparative scale from 0-10 where 0 indicates the most high level of perceived corruption and 10 is attributed to its minimal level. Romania is considered a country with a high level according to this index being assimilated to a group of states such as Costa Rica, Cuba, Italy, Macedonia, Croatia.

The link between illegal work and the underground economy involves all remunerated activities that are not declared to public authorities. There are authors who report tax fraud through illegal work beyond criminal activities in the sense that there are no direct links and delimitations between fraud and employment. International estimates in the EU indicate different dimensions and characteristics of the illegal work in EU states with a share of up to 20% of GDP, in the form of tax evasion and labor taxes. We can exemplify states that have a low level of work at black ex: Austria1.5% of GDP, Belgium 3-4% of GDP, Finland 4.2%, but at the opposite end we also find states with a high level of black work: Latvia 18%, Lithuania19% Italy 16-17%, Romania 16-21%, Bulgaria 35% (source: National Reports).

In order to determine the impact of the underground economy in Romania as well as at international level, the following methods can be applied:

A) Electricity-based methods, in which the difference between the official GDP growth rate and the increase in total electricity consumption rate is attributable to the growth of the underground economy

- B) The labor force method starts from the mathematical assumption that the official labor force participation rate is constant, its modifications being due to activities in the underground sphere
- C) Methods based on the quantification of data in the national accounts system compares the results from the national accounting in the GNP estimation and has two approaches to the expenditure method and the revenue method (sums the expenditures with the incomes are the difference, the annual fluctuations representing the underground economy)
- D) The monetary method explores the ratio between the currency in circulation and the value of the sight deposits aiming at increasing the liquidity and circulation rate of the currency by comparing whether they are the same in the underground economy and the official economy.

4. Conclusion

The phenomenon of the underground economy is present worldwide and can reach remarkable dimensions. Experts in the field have estimated the size of the underground economy, especially in the new EU member states, as follows: "39.4 % in Latvia, 38.2 % in Estonia, 36.5 % in Bulgaria these states being at the top of the EU ranking in this area". (Schneider and Burger, 2005)

In Romania, the share of the informal economy in GDP is about 30% and is a worrying issue. At the same time, in the last years there has been a decrease in the size of the underground economy from 48.9% in 2006 to 38.4% in 2016.

Also, in Romania, the estimates are different so that the Court of Accounts has advanced a value of 30 billion euros (24% of GDP) while the National Institute of Statistics evaluates 20 billion euros, but there are also the international institutions that have made a calculation of about 40 million annually (30% GDP) with growth potential.

We can conclude this analysis of the underground economy by saying that the dimensions of the underground economy may differ a lot depending on the calculation solutions adopted by each institution.

The conclusions of all analyzes show that governments have not shown a high interest in reducing the value of the underground economy for several reasons:

- About 40-50% of the underground activities are complementary to official activity, which implies adding value that implicitly helps to increase official GDP;
- Losses that occur through full non-payment of taxes and fees are estimated to be moderate in the sense that more than two-thirds of the "black" earnings will later be spent in the official economy.

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The Agricultural Crops Production of Romania

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Abstract

Romania is one of the European countries with the most favorable pedo-climatic conditions for agriculture. The natural conditions of Romania, indicate us that more than 40% of the total surface of the country can be used for agriculture, moreover if we are to extend the agricultural areas and complete them with forestry areas we will see that Romania has conditions which not many countries have.

Although Romania has a high agricultural potential, both, the farmers and the government cannot exploit it at its true value, due to problems such as land fragmentation, the low level technology in the agricultural sector, for both agricultural machinery and irrigation systems and a low degree of attraction of investment funds.

The agricultural crop production sector of Romania can produce quality products in significant quantities that can cover an important segment of domestic demand of agro-food products.

Key words: agriculture; crops; cultivated land; crops production;

J.E.L. classification: Q10; O13.

1. Introduction

The role of agriculture is an extremely important one for today's society, providing the necessary food production for the population, and representing in a source of raw materials for different industries. Agriculture is one of the sectors where the European Union member countries have agreed to share both their public funding and responsibilities. While the European farmers have access to the entire European market, the existence of a common approach in support of the agriculture sector, ensures a level playing field for farmers operating on the European and international markets as well. Romania is one of the main producers of agricultural crops at European level and it has the sixth largest agricultural land used among the countries of the European Union. Romania is also one of the top ten world exporters of wheat and corn. (Rotaru, 2017). The agricultural potential of the country results from the structure of land use, while depending on the qualities and geographical position of the agricultural land, the various sectors of agriculture have also been structured and developed. (Patrut, 2017)

The present article aims to present the current situation of the agricultural crops production of Romania.

2. Theoretical background

The agriculture sector is one of the few sectors of the economy that put Romania at the top of the European charts duet the generous grain and oilseed crops productions obtained each year.

For example, in 2016, Romania ranked first in the European Union charts in sunflower production and second place in the production of wheat and maize, after France, according to data from the National Institute of Statistics.

At national level, agriculture is one of the important branches of the Romanian economy, taking into account that the contribution of agriculture, forestry and fish farming to the formation of the Gross Domestic Product(GDP) is around 6%, and in the European member states, the contribution of the agricultural sector for the GDP it is around 1.7%. (MADR 2018)

However, Romania's agriculture cannot reach its full potential due to the massive fragmentation of agricultural areas, lack of technology, and an old, outdated irrigation system, reasons why Romania is registering some of the weakest yields per hectare for its main cultures, compared with the other member states from the European Union. (Deacu, 2017)

Agriculture has become one of the most vulnerable sectors to climate change, and the future predictions are that this trend will increase. The current irrigation system continues to face a number of problems caused by the location and technical state of the irrigation infrastructure, resulting in a high cost of water, that only the large farmers can pay and it is prohibitive for small farmers. (MADR 2015, p.35)

The Romanian land resources are huge, but certain laws regarding the land property have caused a fragmentation of agricultural areas.

Romania is suffering because of the fragmentation of agricultural property, while compared with the other European Union member states, Romania has an average holding size similar to Malta or Cyprus, island countries with far less agricultural land than Romania. (PwC 2017)

Almost 75% of the farms in Romania are under 2 hectares and the share of farms under 10 hectares is about 98% of the total number and 38% of the total agricultural area used. At the opposite end, farms with a size of more than 100 hectares' account for only 0.5% of the total but exploit 49% of the agricultural area. (Profit.ro 2017)

Agriculture sector plays an important role in Romania, with about 30% of the total population being engaged in agricultural activities compared with about 3 % to 14% in the European member states. There is a major difference between the rural and the urban areas, while the people that live in the rural areas are being marked by a significantly higher level of poverty and low living standards compared to the people that live in the urban areas. (MADR 2015, p. 10)

The majority of Romanian farmers, suffer from lack of a clearly defined professional status with negative or ambiguous implications on tax plan and social and health insurance. This is also reflected in the fact that the most of those involved in agriculture in Romania do not have the necessary professional training to provide them with an appropriate level of knowledge, skills and abilities suited for the competitive farming sector. Therefore, mostly of the Romanian farmers rely only on their practical experience and only 7% of the farmers overall have the elementary or full agricultural training. Although it is no unusual in the EU, the lack of farming education is more pronounced in Romania. (MADR 2015 p.54)

3. Material and Methods

The present article aims to present the current situation of the agricultural crops production of Romania. The data used for the article is retrieved from the official databases of the National Institute of Statistics and from Eurostat and it refers to the vegetal production for the main agriculture cultures and the cultivated area for each type of crops.

The cultivated area represents the total area used for agriculture, respectively, in our article, the areas are determined for each type of crops and it is expressed in thousand hectares.

The total production represents the produced quantity of agricultural products for each type of crops for the analyzed year and it is expressed in thousand tones.

4. The agricultural crops production

In order to present the current state of the agricultural crops production of Romania we have decided to analyze the difference from the year 2016 to 2017, between the production of the crops and between the cultivated areas for the main crops.

Overall by analyzing the available data we can observe that the agricultural production has increased for the main crops represented by cereals, dried pulses, oilseed crops, sugar beet, potatoes and vegetables, and the cultivated areas have increased for dried pulses, oilseed crops, sugar beet and have decreased for cereals, potatoes and vegetables.

Table no. 1 Cultivated area and production of main crops

	Total Production		Cultivated Area				
Year	2016	2017	2016	2017	Difference between 2017 and 2016		
Unit	Thousand Tones		Thousand Hectares		Thousand Tones	Thousand Hectares	
Cereal grains	21765	27139	5487	5192	5374	-295	
of which							
- Wheat	8431	10035	2138	2053	1604	-85	
- Barley	1817	1907	482	455	89	-26	
- Oat	381	408	170	166	26	-5	
- Corn	10746	14326	2581	2402	3580	-179	
Dried pulses	99	302	59	119	202	60	
Oilseed crops	3597	4986	1629	1766	1390	137	
From which							
- Sunflower	2032	2913	1040	998	880	-41	
- Rapeseed	1293	1673	456	598	381	142	
- Soy beans	263	393	127	165	130	38	
Sugar beet	1012	1175	25	28	162	3	
Potatoes - total	2690	3117	182	167	427	-15	
Vegetables - total	3358	3638	228	225	280	-4	

Source: data retrieved from the National Institute of Statistics

The production of cereal grains has increased from the year 2016 to 2017 by 5374 tones, respectively 24.69% while the cultivated area decreased by 296 hectares, respectively 5.37%. While the wheat production has increased by 19%, reaching a value of 10035 thousand tones, the cultivated area decreased by 85 hectares, registering a decrease of 3.97%. The barley production has also increased by 89 thousand tons from 2016 to 2017, registering an increase of 4.92% while the cultivated area decreased by 26 thousand hectares, respectively 5.43%.

The oat production registered an increase by 26 thousand tons, respectively, 5% while the cultivated area decreased by 5 thousand hectares, respectively 2.69%. We can see that there is the same situation for the corn, while the production increased by 3580 thousand tones, respectively 33.31%, the cultivated area decreased by 179 thousand hectares, respectively 6.93%. We can see that overall for cereal grains the yield per hectare has increased significantly from the year 2016 to 2017.

The production of dried pulses increased from the year 2016 to 2017 by 202 thousand tones, respectively 203.77% and the cultivated area increased by 60 thousand hectares, respectively 101%. We can observe that both the yield per hectare and the cultivated area for this type of crops have registered a significant growth from the year 2016 to 2017.

The production of oilseed crops has increased from the year 2016 to 2017 by 1390 thousand tones, respectively 38.63% while the cultivated area has also increased by 137 thousand hectares, respectively 8.4%. while the sunflower production increased by 880 thousand tones, respectively 43.32%, the cultivated are for this type of crops decreased by 41 thousand hectares, respectively 3.98%.

The production of rapeseed increased by 381 thousand hectares, respectively 29.44% while the cultivated area increased by 142 thousand hectares, respectively 31.15%. The production of soy beans also increased by 130 thousand tones, respectively 49.40% while the cultivated area increased by 38 thousand hectares, respectively 29.76%. While the yield per hectare increased for all the oilseed crops mentioned in the table no. 1, the cultivated area increased for rapeseed and soybeans and decreased for the sunflower.

For the year 2017, The production of sugar beet increased by 162 thousand tones, respectively % 16.04% while the cultivated area has increased by 3 thousand hectares, respectively 13.16% compared to the previous year

The production of potatoes increased by 427 thousand tones, respectively 15.88%% while the cultivated area decreased by 15 thousand hectares, respectively 8.13%.

The total production of vegetables registered an increase by 280 thousand tones, respectively 8.34 % while the cultivated area decreased by 4 thousand hectares, respectively 1.56%.

In order to highlight the current state of the Romanian agricultural production of wheat, corn, sunflower and potatoes we have decided to represent the production of the agricultural crops and the cultivated areas of Romania alongside with the agricultural production and cultivated areas of different European member states as shown in the Figure no. 1 for the agricultural crops production and Figure no. 2 for the cultivated areas.

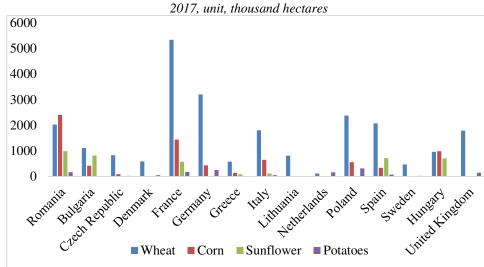


Figure no. 1. Cultivated areas with wheat, corn, sunflower and potatoes for EU member states, year 2017 unit thousand hectares

Source: Eurostat

Figure number 1 is a graphic representation of the total cultivated areas of wheat, corn, sunflower and potatoes for different European Union countries, respectively Romania, Bulgaria, Czech Republic, Denmark, France, Germany, Greece, Italy, Lithuania, Netherlands, Poland, Spain, Sweden, Hungary and United Kingdom.

We can see that Romania's cultivated areas for grains, corn and sunflower are situated in the top four along with France, Germany, Spain.

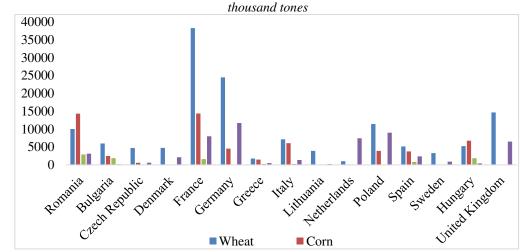


Figure no. 2. Production of wheat, corn, sunflower and potatoes for EU member states, year 2017, unit,

Source: Eurostat

Figure number 2 is a graphic representation of the total production of wheat, corn, sunflower and potatoes for different European Union countries, respectively Romania, Bulgaria, Czech Republic, Denmark, France, Germany, Greece, Italy, Lithuania, Netherlands, Poland, Spain, Sweden, Hungary and United Kingdom.

We can see that Romania has a good position compared to other countries regarding the agricultural production. Romania had the largest area cultivated with sunflower and registered the biggest production of sunflower from Europe in the year 2017.

Romania was second after France, for both the cultivated area and production of corn. Also, Romania ranked sixth with the production of potatoes after Germany, Poland, France, Netherlands and United Kingdom and fourth in the cultivated area after Poland, Germany and France. Regarding the production of wheat, Romania ranked fifth after France, Germany, Poland and Spain, and for the cultivated area it ranked the same fifth place, after France, Germany, Poland and Spain.

5. Conclusion

Romania has a great agricultural advantage but at present the country does not have the capacity to exploit it at its full potential.

Although Romania has the natural advantages for producing high amount of crops, the lack of technology and the absence of irrigation systems are significantly affecting the agricultural production sector. While Romania is producing important quantities of crops our country cannot keep up with the agricultural production sector of developed countries such as France or Germany.

Romania must adopt a strategic position in order to tackle the challenges and opportunities that the agricultural sector is facing. In this manner, Romania must maximize the favorable global and European trends as well as its own competitive advantages by actively participating in the European agricultural market and in third countries markets as well.

Therefore, Romania must try to identify and manage its internal constrains and also, to identify the best ways to approach the external factors, such as climate changes. The agricultural sector must move towards a medium and long – term vision, taking into account that Romania is benefiting from numerous reform initiatives from both its government and the European Union.

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Evolutions of Rural Tourism in Romania and Europe

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Abstract

Named the "smoke-free" industry, tourism, is a progress factor for any country, regardless of the stage of its development. Over the years, many conferences have been held internationally and have led to conclude conventions and declarations that have developed cooperation relations between states in the field of tourism that facilitate tourists' travel as well as their safety and security, respecting the ethics principles by all participants in the travel process.

Rural tourism has an upward trend, both at European level as well as in Romania. The rural accommodation units, especially the tourist boarding houses and the agrotourist hostels, are in great demand, and that is why their number has started to grow in our country too.

Key words: evolutions, development, rural tourism, boarding houses, agrotourist hostels **J.E.L. classification:** L83; Z30; Z32

1. Introduction

At international level, the tourism industry is economically, socially and culturally important, as evidenced by international conventions and declarations that have been concluded since the beginning of the 20th century. (eg "Universal Declaration of Human Rights" - December 10, 1948, "Convention on Customs Facilitaties for Tourism" - July 4, 1954, "International Convention on Cultural, Social and Economic Rights" - December 16, 1966, "Manila Declaration on World Tourism" - October 10, 1980, "Resolution of the Sixth General Assembly of the WTO from Sofia, which adopted the Declaration of Tourism Rights and the Tourist Code" - September 26, 1985, "Resolution of the Ninth General Assembly of the WTO from Buenos Aires regarding, in particular, travel facilities as well as the safety and security of tourists" - October 4, 1991).

According to Longand Lane (2000), rural tourism has moved in to its second phase of development, its first having been characterised by growth in participation, product and business development, and partnership.

World Tourism Organization statistics show that rural tourism is growing at a much faster rate than international tourism as a whole.

The objective of this paper is to analise the evolution of rural tourism in Romania and European Countries, because tourism is a souces of weellfare, and Romania have a great potential in this development.

2. Theoretical background

The literature is abundant in rural tourism, which highlights the importance of this phenomenon. The tourism is an interest topics, with an intense concern for this issue. Lane si Kastenholz (2015) shows that rural tourism exists before 1970 and analyzed this evolution. Thus, Anghelache, Fetcu and Anghel (2012) conducted an analysis of the evolution of Romanian tourism.

Iorio and Corsale (2010) highlight the fact that rural tourism is an economic diversification strategy. Latkova and Vogt (2012) analyzed the attitude of residents to the development of rural tourism in several regions.

Saxena, Clark, Tove and Ilbery (2007) state that rural areas can do various activities such as tourism, recreation, amusement and consumption of natural foods. Sequeira and Macas Nunes (2008) mentioned the corelation between economic growth and tourism, showing that in all the country, reach or poor, tourism is produced economic growth.

The main components of rural tourism is a village, a farmhouse and holiday in the natural space.

"Agrotourism is a particular form of tourism that aims to combine tourist activity with the economic one practiced in the lodgings. By agrotourism, the natural and anthropic resources of the area are better utilized, contributing to raising the living standards of the rural population. Unlike rural tourism, agrotourism involves: accommodation in the farmhouse, consumption of agricultural products from that household and participation to a greater or lesser extent in specific agricultural activities." (Stănciulescu G.; Lupu N., 2002)

- "Agrotourism activity is based on three interdependent elements:
- attraction to natural beauties, ethnography, novelty, charm and country-specific events;
- accommodation and meals, which, even if they are not at hotel standards, must be of high quality and offered with hospitality;
- transport, access roads to the countryside are vital to ensure a continuous flow of tourists."(Tureac C., and all, 2010)

3. Evolution of rural tourism and agrotourism in Romania

The tourism industry in Romania has an accommodation capacity much higher than the number of tourists it manages to attract. Thus, in the first eight months of 2018, the net occupancy rate of accommodation places was 32.8% per total tourist accommodation structures, 0.9% up compared to the same period in 2017. Higher rates of occupancy were recorded in hotels (41.3%), bungalows (31.6%), tourist villas (27.4%), ship accommodation (25.1%), tourist stops (25.0%), hostels (24.7%) and tourist boarding houses (21.2%).

The most popular tourist accommodation units in the Romanian rural area are the tourist boarding houses and the agrotouristic hostels. "Statistic records the first boarding house in Romania in 1991, and in 2017 the number of tourist boarding houses, that is, 1666 exceeds that of hotels, i.e.1577 and the number of agrotourist boarding houses is even higher than 2556. Thus, the two types of boarding houses represent more than 50% of the total number of establishments with accommodation activity." (Dobrescu E. M., Nistoreanu P., 2018)

In Romania, tourist boarding houses grow significantly, in 2016 equalizing the number of hotels, i.e. 1530, and in 2017 exceeding by 89 boarding houses the number of existing hotels at national level, regardless of their classification.

Agrotourist hostels have started to be established since 1999, with a number of 226, and increasing values are observed throughout the analyzed period. In 2006, agrotourist hostels exceeded the number of hotels by 200 units and the number of tourist boarding houses by 557 units. In 2016 years the number of agrotourist hostels reaches to 2028. This shows the high demand for agrotourism tourists and the desire of rural people to become entrepreneurs in tourism. This increase in the number of agrotourist hostels is also due to the access of non-reimbursable funds through European projects, which came to support small farmers. (Figure no. 1)

Between 2001 and 2017, the most important tourist accommodation units (the hotel, the tourist boarding house and the agrotourist hostels) in the counties of Alba, Arad, Bihor, Cluj, Hunedoara, Sălaj know an important increase. In 2001 in Bihor county, there was no agrotourist hostel, reaching 90 in 2017, while in Bihor and Hunedoara counties only one tourist boarding house was established in each case. In Alba and Sălaj counties, 2 tourist boarding houses were set up in each case, being fewer than the agrotourist hostels in these counties, with 8 agrotourist hostels in Alba county, and 6 agrotourist hostels in Sălaj county. Most of the agrotourist hostels in 2001 were registered in Cluj county, with 8 units more than the tourist boarding houses in the same county.

In years 2017, Cluj county ranked first, with 121 agrotourist hostels. Alba county ranked second with a number of 108 agrotourist hostels, followed by Bihor county with 90 agrotourist hostels.

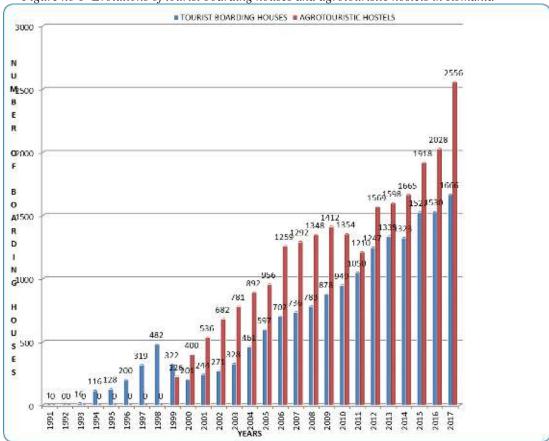


Figure no 1 Evolutions of tourist boarding houses and agrotouristic hostels in Romania

Source: INSSE, accessed on 12.07.2018

It is noted that the number of agrotourist hostels exceeds the number of tourist boarding houses and hotels in Clui, Alba, Bihor, Sălaj counties.

The most sought-after hostels are those that offer tourists as many different and animated possibilities of spending their leisure time, thus the largest demand being recorded at the boarding houses with: organizing craft workshops, micro-farm, hiking, programs of picking herbs, horse riding courses, horse riding in the mountains, themed tours, folklore ensembles and dance lessons, cooking lessons with hosts, sport fishing, cycling, wine tasting, rides by cart / sleigh pulled by horses, holiday carols programs, preparing sponge cakes, decorating sweet gingerbread and much more.

4. Evolutions in tourism in the European Union

According to Eurostat, in 2016 in Europe was 608,000 tourist accommodation establishments and more than 31 million accommodation places. The most accommodations (32.2%) are located in France (5.1 million) and Italy (4.9 million), followed by the United Kingdom, Spain and Germany.

Spain, Italy, France and the United Kingdom hold the majority of the total number of nights spent by non-residents in the EU, with 55%. In 2016 year, Spain was the main tourist destination in the European Union for non-residents (people traveling outside their country), with 295 million nights spent in tourist accommodation establishments, accounting for 22.2% of the EU-28 total.

In the top of the most popular destinations for non-residents in Europe were Spain (295 million nights), Italy (199 million nights), France (124 million nights), the United Kingdom (119 million nights, Austria and Greece.

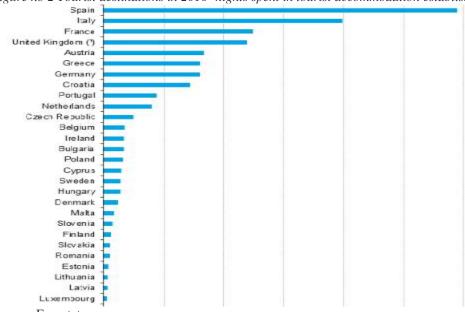


Figure no 2 Tourist destinations in 2016- nights spent in tourist accommodation establishments

Source: Eurostat

5. Conclusions

Rural tourism has had an upward trend in Romania, having the potential to reach out and compete with countries with tradition in tourism.

Tourism in Romania has a huge potential and should represent an important area because it generates economic growth, income, provides jobs and can revive both economically and socially certain areas of particular natural potential, but which faces deindustrialization and depopulation.

Romania has all the prerequisites for rural tourism development - many people in the country, natural potential, low pollution, traditions, a short distance from the tourist offer in Europe.

Thus, tourism should become a national priority and thus turn into an engine for the development of the national economy.

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Reflections on Research, Creativity and Innovation as Pillars in Enhancing the EU's Convergence Process

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Abstract

Beyond the inherent problems of the periods of crisis, Europe can bet on the convergence process on resources such as talent, creativity of its citizens, vital elements in the generation of scale effects. Supporting the human resource, stimulating research, creativity and innovation, EU ensure its premises to long-term development. Considering these aspects, the paper aims at accounting for the importance of creativity, innovation and investment in human capital for the strengthening of EU's resilience capacity so as to turn it into a more intelligent, more inclusive and a more sustainable entity. The article highlights, one the one hand, the position of the various states in terms of creativity, measured on the basis of 3Ts (talent, technology, tolerance) and, on the other hand, their correlation with the Human Development Index and economic growth. The results obtained will guide in drawing out some action measures.

Key words: research, creativity, innovation, human capital, convergence

J.E.L. classification: F63, O11, O30, O47, R11

1. Introduction

The crisis which played the role of the barometer for European and world economy made decision factors objectively see the results of the past decade and aim at new targets to reach in a new motivated way and against a new background, as well. The interdependence between states imposes the existence of coherent development strategies based on which effective action should be taken so as to generate multiplication effects on the European Single Market. As a result, particular attention was given to the consolidation of EU's economic governance and the adding of new indicators or the replacement of existent ones for the monitoring in time of the performances recorded by the countries in various policy fields by the avoidance of a dilution of strategic priorities and the maintenance of focus on key aspects (incentives to entrepreneurship innovation, investment in human capital, extension of public-private partnerships, etc.). What is currently imposed is a more competitive Europe against the background of the significant growth of countries such as China or India worldwide. In a world in which challenges are multidimensional, the European Union (EU) needs to both identify new growth sources and invest in them to achieve sustainable, intelligent and inclusive development, to become more and more resilient via the formation of new entrepreneurial culture meant to create the necessary conditions for creativity and innovation; this is necessary in order to reduce the gaps when compared to the other non-EU nations and at intra-community level.

2. Literature review

Convergence essentially depends on elements such as: spatial distribution of technology and innovation, mobility of factors, specialisation models, inter-regional commerce flows, quality of public policies, etc. (Vandenbussche *et al*, 2006; Ciccone and Papaioannou, 2009). The dynamic of the European integration process confirms a concentration of capitals and innovative industries in central countries where the cost of access to technology is low, the level of human capital high,

whereas the periphery develops inter-branch complementarities, thus incurring structural adjustment costs and differences in productivity (Pascariu and Ţigănaşu, 2017). Although before the beginning of the crisis EU made obvious economic progress, along with its onset, it underwent a process of transformation that aimed at the increase of the level of investment for research and innovation, the strengthening of the methods of communication, development of entrepreneurial structures, drop of the unemployment rate, etc. All these provided a framework for the configuration of funds in the financial scheme for 2014-2020. Such an example is the launch by the European Commission, in January 2012, of the youth action teams for the purpose of helping the member states which were the most affected by the rise of unemployment among the youth to reorient the funds they received to this priority. Other examples consist in the new integrated approach of the Erasmus+ and the Horizon 2020 programmes which stress scientific excellence, the leader position of the EU in the industrial sector and the ability to efficiently respond to societal challenges. To cope with these aims and to encourage the creation of added value in economy, it is necessary to generate new abilities/ competencies among the young, adapted to the demands of the labour market, along with the support of creativity and innovation.

One of the main vulnerabilities which caused delays in the development of the countries from central and eastern Europe compared to western ones is the investment in human resources. That is why, the need to develop new skills among young generation is necessary, fact supported by the European Commission (EC), which states in its report entitled Strengthening European Identity through Education and Culture (EC, 2017, p. 3): "a highly-qualified and flexible workforce forms the backbone of a resilient economy that deals with shocks well and plays a pro-active role in the global economy". Morover, "education forms the basis for a creative and productive workforce that drives R&D and innovation; education and training equip people with the skills they need on the labour market and enable them to respond to changing circumstances and structural change or disruption" (EC, 2016). Inside the EU, due to typically heterogeneities among states, there are many unexpected flows disturbing the convergence process (Bodvarsson and Van den Berg, 2009; Castles et al, 2014; King and Lulle, 2016; Capello, 2016). Youth are mostly vulnerable to this, by simply being 'new entrances' in that system. This vulnerability has an implicit transfer to the countries, suffering losses of resilience. It is widely accepted that a resilient Union means a Union that invests in its young people. Investing in people is the most valuable resource on long-term. In the same time, the knowledge transfer between the main promoters of new idea (universities, research institutes, agencies, NGOs, local/regional/national authorities) will increase the potential to participate in European challenges and to reaffirm their role as actors in supporting resilience and accelerating the process of convergence. The theory of change, as well as the resilience theory, mention that to be able to resist, to adapt, to recover and to transform from different types of internal or external shocks, the governments should invest in human capital.

In a constantly changing world in which technologies modify the society's running and where the international environment is defined by the change of power between states, a radical passage to innovative processes can be noticed, as well as the rise of creative communities, that have imagination as raw matter and which positively influence development trajectories. Characterised as industries with potential to create jobs and prosperity via the valuing, generation and exploitation of intellectual property, creative industries are one of the most dynamic sectors for the EU which may constitute a resource with uncounted possibilities in ensuring added value (EC, 2014). These are defined by five principles, namely: originality, experimentation, capacity to rewrite roles, to be unconventional and act as flexibly as possible in a situation (Landry, 2008); therefore, creativity could be considered as a modernist concept which encourages innovation and facilitates progress (Bhattacharya and Bloch, 2004). The dimensions to which the concept subscribes are related to: the creativity of individuals (their ability to innovate and to respond to the new challenges in society by finding new solutions), the creativity of products (focuses on the uniqueness of a product or service provided as compared to the other products available on the market) and the creativity of processes (how a company delivers the product and services to the end consumer) (Cooke and Schwartz, 2007; Müller et al, 2008; Correia and da Silva Costa, 2014). Within creative industries, ingeniosity and imagination decide on what people want to do, create and buy. Therefore, the person who develops new ideas is the strong link of these processes (Howkins, 2001; Bakhshi et al, 2008). The present shows that individuals are the motor of economic growth by the formation of human capital clusters so that highly skilled individuals who are productive and talented become the true richness of a region/country by attracting companies meant to create a favourable environment to the rise of new economic activities and durable workplaces meant to increase the degree of local attractiveness. Interestingly enough, the ability to compete and prosper within world economy does no longer pertain to the commerce of goods, services, capital and investment flows, but also to the countries' capacity to attract and keep creative people so that development policies encourage societies to become more and more creative.

3. European facts related to human capital

Starting from the realities described above, it is important for Europe to remain an attractive place to study and to have in the future more European universities among the top of international rankings in education: out of the 50 best universities in the world, only 6 are located in the EU (according to the ARWU, 2018). For building a resilient society it is required to strengthen the role of the research and academic cooperation, as well as the capacity of academics to address societal challenges of shared concern. The higher education in eastern Europe passed through various transformations since the communist regime collapsed. The volatility of the educations system has so far harmed the educational process, as only 5 universities in eastern EU is ranking in the top 500 worldwide universities (ARWU, 2018). Moreover, the enrolment in higher education is lower as compared with the older EU members, while the share of young people neither in employment nor in education or training is lower. Therefore, both institutional and education quality highlight important vulnerabilities in the eastern European states, emphasizing the need to enhance their resilience capacity so as to better respond to diverse shocks (economic, social, political, environmental). The Romanian education system has missed enrolling to a defined path towards improving quality. More and more students are already going abroad and the chance they come back home when finishing studies are reduced (Careja, 2013). The brain drain phenomenon and the low tertiary education attainment reflect the low quality of the academia' offer (for example, none of the Romanian universities is ranking in the top 500 worldwide universities according to the ARWU, 2018). Moreover, even during the early period after the economic crisis, when the unemployment was still high and the labour market offer more generous, employers were shown to face difficulties in finding appropriate qualifications for some jobs (Dimian, 2014). Later on, a recent KeysFin study (2017) points out that almost every Romanian company is facing the effects of human resources crisis and that Romania may be heading towards an acute labour market crisis.

The EU has made major efforts in order to encourage internal labour mobility, like designing a European health insurance card, the coordinating of social security schemes between member states etc. Labour mobility may be one of the solutions in order to reduce youth unemployment within the EU, as it is twice as high as the overall unemployment rate: in 2017, over 6 million young people aged between 15 and 24 years were neither in employment nor in education or training (Eurostat, 2018). Among the labour market participants, young population with no previous experience have been mostly affected, the average youth unemployment within EU28 being still around 20% (Eurostat, 2018). In Romania, the situation is pretty much the same, the youth unemployment rate gravitating around 23% at the beginning of 2017. But the average youth unemployment hides major differences between member: at the end of 2016, the youth unemployment was 45,7% in Greece, 42,2% in Spain, 37,9% in Italy; at the opposite is situated Germany: 6,5%. Considering the high unemployment disparities, the labour mobility between member states is still very low, being overreached by migration from outside EU. An overview of the European skills and jobs statistics is presented in Annex 1. The last decade economic crisis showed that there are huge differences between states/regions in their vulnerability to economic shocks and their ability to adapt and recover from the economic disruptions. Although the most recent economic crises have been widespread, proving a strong contagious effect, the geographical display of the effects was highly uneven. Thus, by analysing the Eurostat data, if in 2007 only 1 (of the 276 NUTS2 regions) was facing economic downturn, in the next two years, the crisis has rapidly spread, affecting 72 regions in 2008 and 2009. In 2017 there are still 98 regions which did not manage to get to the same level

of GDP as the peak before the crisis. Furthermore, there were only 8 resistant regions which did not encounter downturn during 2007-2017 period.

4. Research methodology, data and results

To highlight the link between creativity, investment in human capital and economic growth, the regression analysis and scientific observation were used. The data were collected from sources provided by the United Nations Development Programme (UNDP) and the Martin Prosperity Institute. Specialty literature (Florida, 2002) draws on the notion of creative class (labour force employed in fields such as mathematics, computer science, engineering, architecture, education, training, arts, media, healthcare, etc.), which, by the combination of the 3Ts (technology, talent and tolerance), leads to innovation, which is strongly correlated to convergence. Individuals' talent is quantified based on three sub-indices (Florida, 2005): creative class index (the percentage of people engaged in activities that imply the carrying out of creative actions or which use creativity inputs out of the total of the working population, being calculated via the use of statistical data series on the structure of workforce occupancy on professional categories); human capital index (the share of the population aged between 25 and 65 having a bachelor's degree); scientific talent *index* (calculated through the analysis of the number of researchers per one thousand inhabitants). According to the Global Creativity Index (GCI), which rates and ranks 139 nations, in the creative class, Luxembourg is at the top (54%), followed by Bermuda (48%), Singapore (47%), Switzerland (47%), Iceland (45%) (Martin Prosperity Institute, 2015). Based on the 3 Ts (Talent, Technology and Tolerance), the hierarchy of states has also been made, as follows: technology (index computed based on the research and development (R&D) spending, R&D labour force, and patented innovations: South Korea, Japan, Israel, the United States, Finland, Australia, New Zealand, Germany, Singapore, Denmark; talent: measured as average levels of educational attainment and the percentage of labour force in the creative class: Australia, Iceland, the United States, Finland, Singapore; tolerance (index calculated based on the openness to diversity/to people: Canada, Iceland, New Zealand, Australia, the United Kingdom. Cumulatively, on the 3Ts, Australia ranks the first place, followed by the United States, New Zealand, Canada, Denmark, Finland, Sweden, Iceland, Singapore, the Netherlands.

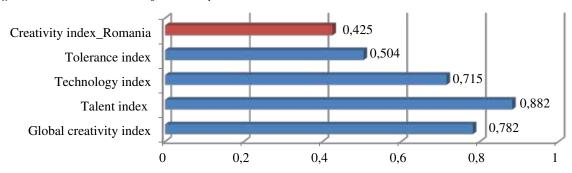


Figure no 1. The correlation of GCI components with HDI

Source: author's representation based on Martin Prosperity Institute data (2015) *Note:* rating scale is between 0 and 1, where 1 denotes maximum creativity.

It is noticed that at global level, talent is the best placed component of *creative class* (0,882). Romania ranks 68th out of the 139 analyzed states, having the three constituent elements of the creativity index as follow: talent (60th place), technology (65th place), tolerance (76th place), obtaining a general score of 0,425. Referring to *the Human Development Index* (HDI), this takes a wide variety of human development factors into account: the education dimension is measured by mean of years of schooling for adults aged 25 years and more and expected years of schooling for children of school entering age, the standard of living dimension is measured by gross national income per capita and the health dimension is assessed by life expectancy at birth (UNDP, 2018). The scores for the three dimensions are aggregated into a composite index using geometric mean.

In Table 1 are presented the correlations between the indicators: GNI per capita, R&D expenses and HDI.

Table no 1. The correlations between GNI, R&D and HDI

	Coefficients	·		
		GNI per capita	R&D expenses	HDI
GNI per capita	Pearson	1.000	.693**	
	Kendall's tau_b	1.000	.584**	.746**
	Spearman's rho	1.000	.781**	.892**
R&D expenses	Pearson	.693**	1.000	
	Kendall's tau_b	.584**	1.000	.554**
	Spearman's rho	.781**	1.000	.776**
HDI	Kendall's tau_b	.746**	.554**	1.000
	Spearman's rho	.892**	.776**	1.000

^{*.} Correlation is significant at the 0.05 level (2-tailed).

Source: own calculations, based on Eurostat and HDR data, 2018

The strongest interdependencies are established between GNI per capita and HDI (Spearman index has a value of 0.892) and between GNI per capita and R&D expenses (Spearman index has a value of 0.781), meaning that the more a country will invest in R&D, both HDI and GNI per capita will increase on long-term, which will generate multiplier effects in economy.

5. Conclusions

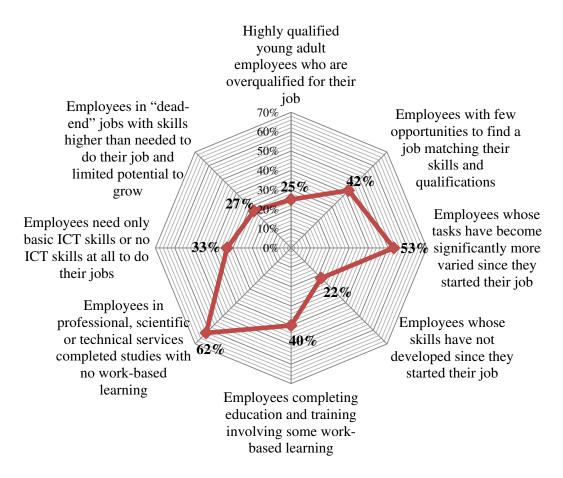
The multitude of structural transformations in the economy, together with the ongoing need to adjust to the dynamics of the market and the current challenges determine the consolidation of the societies' capacity to govern for resilience. The ability to manage resilience lies in actors, social networks and institutions which, through their (flexible or reflexive) way of governing and through their openness to learning, should be able to adapt to changes occurring in the economy. States' resistance to shocks depends, especially, on the quality of institutions, on their power to overcome the crisis periods. Streamlining the means of action that fully exploits the potential of creative industries, through the investment in human capital, EU could become an entity of prestige and originality, competitive and prosperous. The recovery of Europe after the economic crisis means the strengthening of the capacity to invent, initiate new projects, innovate and increase in a sustainable manner. Therefore, EU needs to bring fore innovative industries, to connect creative ideas to the needs of the market (absorption and application by companies of the research results from various fields). In addition, in designing development policies, it is necessary to consider local peculiarities, to encourage creative enterprises by improving the access to financing (financial institutions should increase their degree of sensitising on the economic potential of these industries). Last but not least, to be capable of adapting to the evolution of behaviour and consumers' expectancies, internal or external partnerships need facilitating between the companies that perform in the creative sector with companies from other sectors (clusters and cluster networks), resulting in the development of innovative business models. At the same time, widening access to the opportunities provided by the European market not only that generates an impact at the individual level, by improving skills and competences, but also at macroeconomic level, as it can help levelling the huge disparities in terms of youth unemployment and labour mobilities. By addressing the skill mismatch problem, the educational programmes/curriculum should be adapted to the labour market needs (to better respond to labour market expectations) because education and human capital accumulation lead to a better resilience capacity, together with research, creativity and innovation. A reformed education and research policy should be capable of responding flexibly to the changing situation in the region, to challenges and crises, while preserving its continuity and predictability.

^{**.} Correlation is significant at the 0.01 level (2-tailed).

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Annex 1. European skills and jobs statistics



Source: author's representation based on the survey of the European Centre for the Development of Vocational Training (European Skills and Jobs), 2018

Section III

Economic and Social Studies

M-Devices` Use For Purchasing Tourism Products by the Young Generation

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Abstract

The development of information technologies has revolutionized the buying process for tourism products. Visitors' access to information has greatly expanded, their selection alternatives have multiplied, the acquisition modalities have diversified, and the devices that allow all these changes are getting more and more performing. The use of mobile phones for information and also for buying tourism products is currently a habit for a growing number of visitors. But, indisputably, the majority is represented by the younger generation.

This article analyzes the purchasing behavior of tourism products by the young generation and presents the results of a quantitative marketing research conducted among students from Transilvania University of Braşov. Findings indicate the extensive use of m-devices, the major benefits being usefulness and time saving, but also the fact that m-devices generate pleasure, relaxation and fun. In the future, respondents believe the interest of users will grow even more.

Key words: m-devices, e-commerce, tourism products.

J.E.L. classification: M31, L81, Z33.

1. Introduction

The evolution of mobile technology influenced major changes for e-commerce, and the need to understand the motivation of consumers to adopt m-devices to shop tourism products is more and more important. M-devices are instruments which will influence future developments in the tourism industry, therefore consumers` behavior on smart mobiles` use is an important subject to be analyzed.

The main objectives of this article are the following: the identification of buying behavior when accessing online tourism channels, the assessment of major online tourism platforms and the need to identify the elements which influence young generation's decision to use m-devices for purchasing tourism products.

2. Theoretical Background

Consumption of a tourism service usually takes a longer time to plan and costs more than the consumption of many other kinds of services (Lu *et al*, 2016, p.77). Therefore, consumers usually conduct an extensive information search to reduce perceived risk involved in the tourism purchase decisions (Xiang *et al*, 2013). Alternatives available through e-commerce technologies enable overcoming these difficulties. To the extent that e-commerce systems` performance correspond to customers` behavioral intentions, they are more likely to adopt technology in their travel planning (Tan *et al*, 2018, p.1635).

Important differences in buying decisions through the use of Internet applications are determined by the age of customers. Younger consumers were found to have heavier usage of mobile technology in the tourism industry as opposed to the older consumers (Mang *et al*, 2016).

The rapid evolution of m-devices (mobile devices) and wireless networks transformed m-devices into a multimedia machine with high performances in the communication process, which furthermore influenced online information and purchase process (Marriott *et al*, 2017). Numerous transformations that have occurred covered several aspects of e-commerce. They targeted the acquisition (mobile shopping), payment (mobile payment), banking activities (mobile banking), etc. (Tan *et al*, 2018). All these adjustments have also occurred in the tourism industry. Currently, with the help of the mobile phone, the visitor searches for the desired information, makes the purchase, then the payment, and finally, the mobile device becomes, as the case may be, proof of reservation, of the access ticket, etc. (Hew *et al*, 2018). The share of m-shopping in tourism is steadily increasing. More than 50% of TripAdvisor's visits are made using the smart phones, Travelport estimates a 70% share of online purchases by m-devices, and such examples could continue (Tan *et al*, 2018).

The online booking and buying process is influenced by a variety of factors. The existing research and literature is quite large (Liu et al, 2014, pp.72-73). There are several factors which are considered decisive for the online purchase decision-making. The information search intention is the strongest predictor of Internet purchase intention (Shim et al, 2001) and there are different stages of purchase influenced by different elements (Frambach et al, 2007). One of the factors with major implications on purchase decision is the perceived price (Chiang et al, 2007), and many customers tend to leave the site if the total price was higher than what they were willing to pay for. Hotel offline brand is another attribute which influences the online booking (Verhagen et al, 2009), but mostly information gathered in the online searches contribute to shaping the brand image (Kwon et al, 2009). Product related factors, mainly the cancellation policy, also influence the online booking behavior. The factor "product review", through its relationships with service quality highly affects customer's decision on purchase (Ye et al, 2011). Product components which highlight quality aspects are strong elements for both the producer and the consumer in terms of market economy and fierce competition (Neacsu, 2018) and, at the same time, company's specialists need to promote a correct view in this field (Madar, 2016). Based on the preponderance of the emotional factor in relation to the rational one in terms of tourism services, the way the potential consumer reacts to stimuli coming from the consumption of tourism services and how he perceives the "universe" of a destination becomes essential in creating the image of the tourism product (Stăncioiu et al, 2013, p.40).

Moreover, website quality is a significant factor determining intention to purchase online tourist products, the presence of a bulk of required details and service quality being very important attributes (Wen, 2012). More websites that allow online booking have emerged, diminishing the role of traditional travel agencies (Vijoli *et al*, 2016). Payment methods, especially the variety of payment methods provided by online vendors will increase purchase intention (Chen *et al*, 2010), while technical protections and security statements in the e-payment system will significantly enhance the customer's perceived security, customer's trust and purchase intention (Wen, 2012).

3. Methodology

The analysis of the young generation behavior when using m-devices to purchase tourism products is based on a quantitative marketing research carried out among the students of the Transilvania University of Braşov.

The research method chosen was survey based using a questionnaire administered through computer as a tool of data collection (CAWI – Computer Assisted Web Interviewing). The questionnaire comprised 16 questions which were included into three sections. The first section comprised six questions which aimed to assess the general behavior of respondents regarding habits, products, platforms and also the confidence in the procedure of booking tourism services online. The second section comprised eight questions which identified the main elements that contribute to the decision to use m-devices to purchase tourism products. The final section of the questionnaire included identification questions, respectively age and gender.

From the total number of 2624 students of the Faculty of Economic Sciences and Business Administration of Braşov, Transilvania University of Braşov, there were recorded 252 completed questionnaires. Students who chose to respond defined the sample used in the present research.

The objectives of the research were the following:

- Identification of buying habits when accessing online tourism channels;
- The assessment of the major online tourism platforms;
- Identification of the elements influencing the decision to use m-devices to purchase tourism products.

4. Findings

The habit of using e-commerce to buy tourism products is a constant of the younger generation. The results indicate that over 75% of the interviewed persons use online channels for this purpose. The range of tourism products bought online by the respondents include: accommodation services (90%), airline tickets (70%), access tickets for tourism attractions (33%), train tickets and package tours (11%).

The respondents indicated that online navigation comprises many needed and valuable information in order to decide to continue with booking and purchasing, such as: price, booking conditions, location, the distance from city center or airport/railway station, comfort, included services, facilities, and also the payment methods. When asked about their confidence regarding online booking and purchasing, only 29 persons, i.e. 11.5% of the respondents are reluctant in using the online channels. The payment methods most frequently used were: the own card (151 respondents, 60%), the card owned by parents or one of families` member (79 respondents, 31%), while 9% of respondents chose to use tourism agencies` services in order to book and purchase tourism products which were analyzed by themselves through online navigation. Asked if they would recommend to friends the same online channels used for prior tourism products acquisitions, 241 out of the interviewed persons (95.6%) said they would recommend.

The online platforms which were assessed were Booking.com, Trivago, Vola, Airbnb and Agoda. The results highlight that Booking.com enjoys the highest level of confidence, followed in order by Trivago and Vola. Airbnb obtained the lowest level of confidence, while Agoda is a platform with a low impact within the analyzed sample, only 19 persons having heard on it.

Another objective of the research was related to the use of m-devices to purchase tourism products. 158 respondents (62.7%) acknowledged their preference to use the mobile phone instead a computer/laptop in this respect. There were analyzed several characteristics on satisfaction achieved by using m-devices to purchase tourism products: usefulness in daily life, saving time and the improvement of social status. Respondents were asked to rate this characteristics from 1 (total disagreement) to 5 (total agreement). The results are presented in figure no, 1.

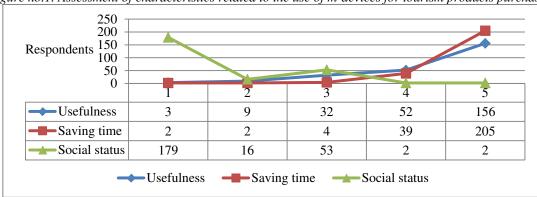


Figure no.1. Assessment of characteristics related to the use of m-devices for tourism products purchase

Source: Authors' own research

Usefulness and saving time are characteristics with high percentages of total agreement, while the improvement of social status as a result of the use of m-devices for tourism products` purchase has recorded high levels of disagreement.

Furthermore, the respondents rated the fact that they have the knowledge necessary to use m-devices to purchase tourism products, the fact that they could reach help from friends and family members when needed and also the fact that people they communicate with regularly use m-devices to purchase tourism products. The results show that 78% out of the respondents consider they have the necessary knowledge to use m-devices, and 87% could find help when necessary. As for the assessment regarding the regular use of m-devices by people they regularly communicate with, results are different. The majority of the respondents (51%) confirmed agreement with this statement, 17% have a neutral opinion, 12% out of them disagreed the statement, 11% declared the total agreement and 9% confirmed total disagreement.

The research also highlighted the status of their opinion in the process of using m-devices when purchasing tourism products. They rated from 1 to 5 the joy to use m-devices, fun and the pleasant feeling. The recorded percentages for the five levels of rating are presented in figure no. 2.

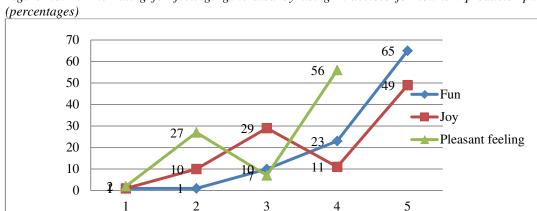


Figure no. 2. The rating for feelings generated by using m-devices for tourism products` purchase

Source: Authors' own research

The respondents assessed their willingness to use m-devices in the future for purchasing tourism products. The results show that 76% out of the respondents intend to use in the future m-devices to tourism e-commerce, 59% would always try to use m-devices to purchase tourism products in daily life, while 83% consider that their interest to use m-devices to purchase tourism products will increase in the future.

Finally, the financial security was assessed, being differentiated online platforms from websites. Online platforms are considered more secure than websites, 57% out of the respondents stating their total agreement with platforms` financial security. As for the websites, the ratings are quite different, 54% out of the respondents have a neutral opinion in relation to this statement, 10% of respondents consider the websites are unsecure, while 18% consider websites as being secure enough.

5. Conclusions

The use of online information and purchasing systems in tourism eased the selection of tourism products. The development of m-devices has generated a new stage in web navigation. The analysis presented in this article revealed that the young generation appreciates that their use in tourism distribution gives them many benefits. The most significant of these concern ease, utility, time savings, fun, joy, and overall, a pleasant feeling. The biggest drawback, still unsolved, is the lack of confidence in the ability of these systems to guarantee financial security.

The young generation shapes the profile of the future consumer. Using m-devices will become a constant and also a necessity of everyday life. As a result, tourism distribution will be deeply marked by these technological developments. Solving the current problems regarding the use of online systems, especially for the purchase of tourism products, adapting tourism companies to communicate with the effective and potential consumer exclusively via Internet or rethinking the activities of traditional travel agencies are challenges that will mark the tourism industry in the near future.

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Quality in Education - Approaches and Frameworks

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Abstract

Having an essential role in attaining a country's economic development, education is one of the core services delivered by the government. However, the extension of the educational services delivered does not enhance the anticipated outcomes unless a certain quality norm is sustained. That is why it is vital to follow the enhancement of quality in all spheres of education. The notion of quality in education is not new, being a multidimensional concept.

The paper analyzes existing approaches and frameworks in the area of quality in education, proposing an integrated model. This model is built on two levels (the quality of the educational system and the quality of educational institutions), it uses the management by objectives method and as the integrating factor the stages of the PDCA cycle.

Key words: quality, educational system, educational institution, quality in education

J.E.L. classification: I21, L15

1. Introduction

Quality education is the foundation for the development of any country. Education is a fundamental and primordial condition for the transfer of knowledge, skills and abilities, but also for the establishment of a civic consciousness that contributes to the full development of individuals. Quality education is the most important tool that can induce changes across society.

The notion of quality in education has no specific definition, with different researchers interpreting the concept differently. Differences can be found not only in the nature of the definition of this concept, but also in the manner of measuring quality. Although research initiatives have been undertaken worldwide to identify quality indicators in education, the measurement of educational outcomes, at present, there is no uniform and generally accepted vision.

UNESCO (2009) defines education as a set of processes and results that are characterized qualitatively. Increasing access to schools should not be an important objective, but increasing access to quality education services should be the fundamental objective of any educational system. The major objectives of the education systems should be cognitive development and encouraging the creative and emotional development of students. These objectives are addressed in different ways in different education systems. (UNESCO 2009).

UNESCO (2005) highlights the importance of the quality of education offered in schools, showing that quality in education will later provide the beneficiary with higher incomes and increased professional satisfaction. The higher quality of educational institutions improves students' cognitive skills that directly influence future earnings, labor productivity and overall economic growth. Currently, educational institutions also play an essential role in developing non-cognitive characteristics among students, such as honesty, responsibility, determination, empathy, etc. Educational institutions play an instrumental role, being a means by which individuals achieve their

own socio-economic and cultural objectives contributing to the development of society (UNESCO, 2005).

With the acceleration of globalization, national education authorities have become more and more preoccupied of the quality and competitiveness of their systems. Increased labor mobility (particularly large within the European Union) has raised concerns about the compatibility of cognitive skills and transferability in terms of qualifications. This phenomenon has led to an expansion of the monitoring and regulation of educational systems and the development of national and transnational learning assessment bodies using comparative criteria. Critics have shown that the standardization of cognitive abilities does not take cultural differences into account, the quality of educational services being affected by the propensity to standardization. It is necessary to ensure a balance between ensuring the relevance of education and the socio-cultural characteristics of pupils.

The paper is structured in five sections. In the first section, we made an introduction to the research theme, and in the second section we present theoretical background. Section three emphasizes research methodology, and section four highlights the results of research proposing an integrated quality model in education. Section five presents the conclusions and outlined future research directions.

2. Theoretical background

As public services provided by governments to citizens (education, health, safety, etc.) have expanded and captured much of the country's budgets, the government and communities have begun to call for an improvement in the quality of these services to show citizens the added value created through these services. In this way, quality issues have crossed the border between the business world and the public sector. Quality concepts of service have adapted to the environment of public institutions to respond to the specific environments of educational institutions (Linston, 1999).

Jain and Prasad (2018) show that there are two aspects of quality in education: "the quality of the educational system as a whole" (including aspects of central and local education, schools, teaching and learning environments, educational strategies and policies, etc.).) and the "quality of educational services" (including the quality of the teaching and learning process, the modernization and continuous improvement of the curriculum, the quality of educational resources, etc.).

Education is a service and not a product, its quality can not be measured solely by the outputs. Its quality should also be reflected in the service delivery process. The quality of educational services should take into consideration determinants such as:

- ensuring human resources (talented and well motivated teachers),
- providing material resources (well-equipped buildings, manuals, modern teaching materials, specific equipment, classical and digital libraries),
- providing of information resources (modern curriculum and continuously adapted to the educational and labor market trends, modern didactic processes that take into account the characteristics of the individuals to whom they are addressed).
- provision of financial resources (which allows the operational functioning of educational institutions and the provision of other categories of resources).

Grisay and Mahlck (1991) show that the quality of educational services has a three-dimensional approach, including inputs (financial, human and material resources), processes (information resources) and outputs (the results of educational services). UNICEF defines five dimensions of the quality of educational services: "students, environment, content, processes and outcomes" (UNICEF, 2000). These dimensions should encourage innovation and diversity (UNESCO, 2009).

UNESCO (2005) defined a "framework for understanding, monitoring and improving the quality in education". This framework comprises five components: learners characteristics, inputs (including human, financial, material, and informational resources), teaching and learning process, outputs, context (figure 1).

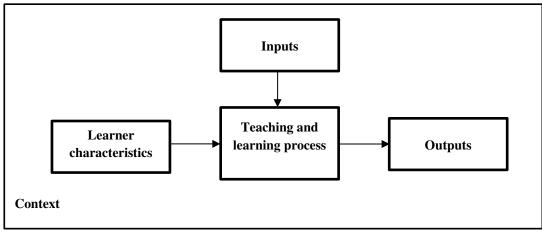


Figure no. 1. Framework for understanding, monitoring and improving the quality in education

Source: (Adapted from UNESCO, 2005, 36)

Characteristics of learners are determined by their capabilities and experience. These may be socio-economic conditions, health, residence, the cultural and religious environment and the quantity and nature of previous learning. The context refers to all outside conditions that are not related to learners. The relations between education system and society as whole are strong and each influences the other. The inputs are those that ensure the smooth running of educational processes. The teaching and learning process is the key component for human development and change. This component is influenced by learner characteristics, system and context entries. The results of education should be evaluated in the context of the established objectives. A distinction must be made between the results expressed by academic performance and the development of values, attitudes and behavior. This framework offers an opportunity to understand the different variables of the quality of educational services.

In examining the basic framework of educational services, Scheerens et al. (2011) listed six ways of defining the quality of education that emphasizes certain components, issues or relationships within the core framework: productivity view, perspective view, adaptation perspective, efficiency perspective, disjointed view. The adoption of one or other of these visions influences how the educational process is approached and the focus of the evaluation of the quality of the educational process.

To improve students performance, educational institutions need a strong and ambitious strategy to improve educational services. Developing a strategic approach to human resource management starts with understanding and accepting the need to intensely increase organizational performance, particularly with respect to student achievements (Odden and Kelly, 2008).

A strategy to improve education is the key to improving student performance. There are many elements of a strategy to improve education. A strategy could include improved training materials, curricular alignment, increased use of technologies, new school structures (such as the radical reduction of multiple layers of bureaucracy found in most educational institutions), extensive professional development, multiple complementary strategies, such as teacher guidance and summer schools, or involving more parents. A strategy for improving education could also include new approaches to governance and management (Henman and Milanowski, 2004).

3. Methodology

In order to identify the approaches and frameworks that are used in the education system in terms of quality, we conducted an exploratory research of the specialized literature on quality in the education sector. The research method used is of a qualitative nature, the techniques used to collect information being analyze, interpretation, synthesis, induction and deduction. In the construction of the model we propose, we will use the integration techniques.

4. Findings

The quality of education depends on the quality of teaching staff, on the governance of educational institutions, on the capacity and willingness of students to learn, and on the quality assurance of educational services.

Teachers are essential resources for effective implementation and delivery of educational policies and classroom objectives. Maintaining and enhancing educational standards is only possible through teachers. The lack of mismanagement of human resources within the education system reduces the performance of the system no matter how much it is invested in other resources.

A good leadership in school is absolutely necessary for quality education. Good leaders are the ones who have an essential role in improving the work of subordinate individuals and the organization as a whole. The quality of leadership can ensure a differentiation of the educational institution, allowing for good results and quality education processes (Sitnikov, 2011). Any educational institution needs effective proactive leadership that puts value in the quality of human resources and creates a synergic effect in the delivery of educational services.

Also, availability and learning ability can improve the quality of students. Students' learning abilities can be enhanced by two tools: focusing learning process on student and lifelong learning (Chalkey, 1994). Parental participation is essential to provide children with high quality education. Quality education requires a strong relationship between parents and school, which to be strengthened by stakeholders (Nicol and Macfarlane-Dick, 2006).

Another important part of quality education is quality assurance. Quality assurance is usually done in accordance with each country's government policy that offers educational opportunities to individuals according to national priorities and strategies (Hendel and Lewis, 2005). The educational service will be of high quality if there are specific departments at each level of education provision that conceive and ensure the sustainability of educational quality. Byrne et al. (2013) show that quality assurance is built around of notions as accountability and continuous improvement of quality.

China, R. (2014) distinguishes between two categories of quality approaches in education: quality of the national education system and quality of the educational institutions. Building on these approaches and the UNESCO "framework for understanding, monitoring and improving the quality of education", we believe that it is required an "integrated model of quality in education". This model is built on two levels: the quality of the educational system and the of educational institutions. In order to ensure the coherence of the model and the strategic character, we used the management by objectives method. Designing and applying management by objectives involves the following steps:

- establishing the fundamental objectives of the education system,
- establishment of derived, specific and individual objectives at the level of local structures, educational institutions and individuals,
- development of the other components of management by objectives (actions programs, time schedules, budgets, list of methods and techniques, instructions),
- tracking the achievement of the objectives (this stage is based on the mechanism of feedback through which operative intervention takes place in order to take prophylactic or corrective decisions).
- evaluating the achievement of objectives, making corrections and resuming the process (comparison of the results achieved and the objectives set at the beginning, and the evaluation is used to set the targets for the next period).

As a model integrator we used the PDCA cycle steps: planning, action, verification, implementation (Figure 2).

The process of quality assurance can be "restricted" to the ability of management to permanently establish, develop and apply all corrective and preventive actions related to the quality processes. The quality assurance process in education have to be correlated and supplemented with the other components of the quality management system: planning, control and improvement, to which it adds a tool of great importance, already used in the "construction" of European references in the area of education quality: PDCA cycle (plan-do-check-act).

Figure no. 2. Integrated Quality Model in Education **Continuous** Act Plan **Improvement Corrective and** Set up objectives **Educational** rewarding and other MBO system actions components **Teaching and** learning process Educational institutions **Objectives Objectives** assessment fulfillment **Implement** Check Source: (own concept)

5. Conclusions

Quality in education means an approach to quality management at the educational system level. This is, first and foremost, strategic visions issued at the system level. In this context, public education policies can play the role of strategic visions, as long as they are planned prospectively, on a long and medium term basis. Quality management in education means quality management implemented and developed at the level of education system. Quality management in education should include a systemic view of quality.

A deep understanding of the need to improve the performance of the education system can be the motivation factor to stimulate the creation of a strategy to improve the quality of education. Following research into the literature and the observations we have made, we considers that it is absolutely necessary that a quality assurance strategy in education also includes an approach based on management by objectives strengthened through the PDCA cycle. In this sense, we have built an integrated model of quality in education that can be a benchmark for both the higher management of the education system and the management of the educational institutions. In future work, we will seek to improve the model and build the tools needed to implement the integrated model in practice.

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The Role of Gastronomic Tradition and Culture in the Development of Tourism

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Abstract

This paper aims to present gastronomy tourism, which is a new concept and form of tourism, treated independently of other forms of tourism, combining characteristics of cultural, thematic and sustainable tourism, aiming at satisfying and educating tourists in traditional culinary arts, bringing benefits to the local population and maintaining various sectors of the economy. Gastronomy tourism, a new form of tourism, is part of cultural tourism, which addresses the culture of a region, especially through its artistic and traditional values, including tourism in rural areas, with its specific activities such as: agrotourism, outdoor gastronomic festivals, product tasting, etc.

Gastronomy tourism, as a distinct form of cultural tourism, is based on the discovery of the traditions and values of local communities and entities, whether it is local tradition, gastronomy or rediscovery of values, folklore or old crafts, 80% of Romanian rural pensions being based on such an approach.

Key words: marketing, agrotourism, agricultural product, demand, satisfaction

J.E.L classification.: L83, M10

1. Introduction

Gastronomy tourism, as a new form of tourism, is part of cultural tourism, both in its culinary and traditional values, including tourism in urban and rural areas with various activities specific to it. Gastronomy tourism as a distinct form of cultural tourism is based on discovering the traditions and values of local communities and entities, combining the elements of local tradition, the gastronomy treasures by rediscovering local or regional values.

According to the definition given by the World Tourism Organization UMWTO, gastronomy tourism is the form of tourism where tourists and/or visitors plan their journeys partly or totally for the purpose of tasting local cuisine and/or conducting gastronomy activities.

In another scientific approach, gastronomic tourism is integrated into thematic tourism, based on traditional events with a gastronomic component, organized to preserve and continue the traditions. In the literature, gastronomic tourism is also called culinary tourism or travel for pleasure taste.

From the etymological point of view, the word gastronomy is derived from ancient Greek, $\gamma\alpha\sigma\tau\dot{\eta}\rho$ (gastér) meaning "stomach" and nómos - "knowledge" or law. (http://ro.wikipedia.org/wiki/Gastronomie) .

Gastronomy is the study of the relationship between culture and nutrition and studies various cultural components that have food as a basic element, also meaning the rational knowledge of everything that signifies and has to do with feeding people, thus incorporating the customs and local traditions.

Gastronomy enthusiasts are looking for culinary treasures, satisfaction from the taste buds, and not just the pleasure of the visual analyzer, searching for the restaurants with tradition where they can taste something authentic in the culinary field.

Local gastronomic experiences can turn into true memorable moments, which is why gastronomic tourism has become a niche market with great potential. The roots of gourmet tourism are found in the days when Europeans traveled in the search for Asian spices.

Another peculiarity of gourmet tourism refers to its development, following the aspiration for healthy food and bio-gastronomic values.

Through its basic components, gastronomy and tradition, gourmet tourism has to develop and strengthen the so-called local brand, which forms the basis of gastro-touristic product development.

2. Materials and methods

In the literature, gastronomic tourism is also called culinary tourism or travel for pleasure taste. Gastronomic tourism "based on experiences and the desire of tourists to understand the culture and specifics of an area, give rise not only to tourist activities or attractions, but also to a particular style or type of tourism: Culinary Tourism" (http://www.turismmarket.com/)

Culinary tourism is a specific tourist form in the field of travel, the purpose which animates its followers is the discovery of the beauties of the world according to the traditions and secrets specific to the gastronomy of different countries.

Changes in the tourism sector, largely due to the competition between tourism products/destinations, as well as the increasingly complex requirements and expectations of all categories of tourists, and especially those with high incomes, determine tourist destinations to become brands necessarily managed from a strategic perspective (Stăncioiu, et. all., 2011).

According to the website turism.biz.ro, "the aim that animates its followers is the discovery of the beauties of the world in terms of the specific secrets of the cuisine of different countries." (http://www.turismmarket.com/turismul-culinar-sau-calatoriile-pentru-placerea-gustului)

The gastronomic circuit is a type of tourist activity created especially for tasting typical dishes for the local cuisine (Diaconescu, Moraru, Stanciulescu, 2016).

Gastronomy-the basic component of the gourmet tourist product, determines the quality of the tourist product and tourism performance as a whole, and the reflection of local traditions influences the content and attractiveness of the gourmet tourist offer as major implications for the size and orientation of tourist flows.

Tradition is the active part of the cultural heritage, which remains alive from the past, the elements that act as modelers on the cultural present.

Tradition also means a symbolic practice, such as popular traditions, incorporating and impressing gastronomy, and vigorously marking the existence and our identity.

Local tradition as intangible heritage can be the vector of the identity of a human community in the design of the tourist product, ensuring its individuality.

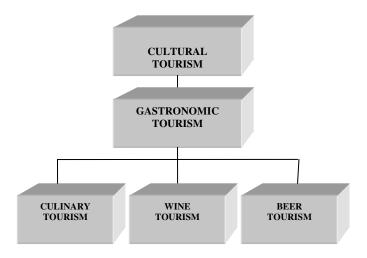
Tradition and gastronomy are a key element in diversifying tourism, contributing to stimulating and developing the economy, adding sustainable values based on tradition and authentic local products while respecting the concordance, trends and demands of cultural consumption. The relationship between gastronomy and tradition is complex, profound, of mutual inter-conditioning and synchronous development (Boită M., coordinator, 2015).

Since 2003, the gastronomic tourism industry has experienced an acceleration and annual exponential growth worldwide. The International Culinary Tourism Association (ICTA) states that "culinary tourism is the search for unique and memorable culinary experiences" (http://www.turismmarket.com/turismul-culinar-sau-calatoriile-pentru-placerea-gustului).

This experience is most often done through a travel-tourism. Eating a meal is a ritually meaningful activity in a culture, and according to experts in the field, gastronomic tourism is

considered a subgenus of cultural tourism, while culinary tourism, wine tourism and beer tourism are subgenres of gastronomic tourism.

Figure no.1. Gastronomic tourism



Source: Processing by the authors

Gastronomic tourism does not just mean exclusivity and snobbery, luxury or pretentiousness, the tourist trying unique and memorable rewards, not necessarily in luxury restaurants or wine cellars, but also in small restaurants, boarding houses or gastronomic events and festivals.

3. Results and discussions

The preference and consumption of extremely demanding and luxurious culinary products gave birth to another subgenus of gastronomic tourism, the one for gourmets: "gourmet tourism", a subgenus of culinary tourism.

As a main feature of gastronomic tourism, we can say that it includes unique and authentic experiences, related to the preparation and manner of consumption of food and beverages, exceeding the limits of information from guides and restaurant menus, differing such from other forms of tourism.

The brand naturally promoted and developed becomes an independent tourist attraction.

The main function of a local gastronomic brand is to give birth to curiosity and to make the tourist visit a particular place in order to enjoy the local gastronomic products.

The smaller the region, the more concrete is the local gastronomic brand.

The larger the region, the more difficult it is for the brand to fulfill its basic function to attract.

A gastronomic brand is even stronger the harder it can be to reproduce, and thus remains alone on the market. Statistics show that initiatives based on the idea of promoting a local brand are much stronger/more sustainable, and have more customers.

The impact of gastronomic tourism as an independent tourism subbranch, has an impact:

- booster of the global economic system;
- macroeconomic;
- o social.

Main implications and benefits of gastronomic tourism:

- extra income from tourism activity;
- valorization of local products;
- valorizing the resources of the area;
- banishing boredom and monotony.

At the same time, we can state that the gastronomic tourism activity highlights: the less busy periods of time, while attenuating the tourist seasonality. The above issues highlight the importance of direct involvement in the local economic environment of the gastronomic tourism.

Under these circumstances, a realistic and coherent approach to economic activity is required, starting from the principles of marketing.

4. Conclusions

Gastronomic tourism is a new concept and form of tourism, treated independently of other forms of tourism, combining characteristics of cultural, thematic and sustainable tourism, aiming at satisfying and educating tourists in traditional culinary arts, bringing benefits to the local population and maintaining various sectors of tourism economy.

Consequently, ensuring conditions for the development of gastronomic tourism and, in particular, for capitalizing on its full potential, requires a balanced distribution of tourism infrastructure. In this respect, it is not a matter of equalizing the areas with regard to the material endowments, but of their rigorous correlation with the potential and tendencies of the demand, with the requirements of a sustainable development.

It can therefore be said that gastronomic tourism plays an important role in strengthening the image of the local and European brand in the world, in protecting our values and in promoting the attractiveness of the European model.

Like all other sectors of the economy, gastronomic tourism is facing increasingly fierce competition in the world, emerging or developing countries attracting more and more tourists. In front of this competition, gastronomic tourism has to present a genuine local, sustainable and of quality tourist offer, relying on its comparative advantages, especially on local tradition and culture.

Destinations wishing to develop and promote gastronomic tourism must give great importance to product quality as it ensures the identification and recognition of local products, the development of competitive products.

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Inequality - Poignant Phenomenon of the Beginning of the 21st Century

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Abstract

Inequality is unfortunately a phenomenon of great relevance for the contemporary period. The increasing differences between the incomes of various social classes have prompted the multiplication of manifestations of individualism, selfishness, etc., thus jeopardizing social stability.

The eternal dispute between the liberalism imposed by markets and the need for state intervention to a certain extent in the economy must bring to the fore – together with economic growth – the interests of all the citizens of a country.

The accentuation of economic and social inequality over the last decades, the causes that led to this phenomenon and the context where such an evolution of inequality took place represent the main issues addressed in this paper.

I wanted to join those who try to draw the attention to the issue of increasing economic and social inequalities among the members of society, in order to raise the awareness of the decision-making factors on the chronicization of a phenomenon that could harm everyone on a long-term, including the wealthy citizens of the planet

Key words inequality, social exclusion, redistribution, middle class

J.E.L. classification: D63

1. Introduction

One of the issues that marks the beginning of this century is represented by increasing economic inequalities in most world countries, including the developed ones, with old democratic traditions.

Getting a well-paid job depends on the professional and behavioral skills acquired by the individual during childhood and adolescence. These skills are based essentially on one's education level, family health and general atmosphere within it. Strong financial shortages usually lead to social exclusion for a large share of the population in a country.

Contemporary elites, which are quite numerically low, hold very powerful transnational companies, being thus able to influence and even to force politicians to promote laws that are favorable to them. It is noteworthy that the process of concentrating the economic power in the hands of several multinationals was also favored by the action of some global institutions. (Claire Sevrac, 2010, p.11)

The scientific approach is focused on the radiography of inequality, a phenomenon that significantly marks the beginning of this century, as well as on the need to find solutions for the mitigation of the current situation.

2. Theoretical background

From a conceptual perspective, inequality is equivalent to the lack of equality. The approach to inequality in this paper has not been made from this perspective. A certain level of inequality is even necessary for a number of reasons. It is essential not to overcome that inequality threshold that would trigger poverty and social exclusion for a large number of citizens.

The significant increase in the wealth of a relatively small number of people was made at the cost of strong environmental pollution, worsening food quality, stimulating the widespread use of medicines or dietary supplements, etc. Under these circumstances, most of the planet's citizens are in a state of accentuated economic and social discomfort.

We are witnessing a reduction in the labor force share in the total newly created value, in parallel with the increase in the capital share in the total newly created value. Consequently, the inequality degree has increased, and this phenomenon must be tempered if we want mankind to benefit in the next period from a balanced economic development and a reasonable living standard for as many as possible citizens.

To answer questions such as "Why and how was it possible to accentuate inequality?", besides using the didactic tool, I have turned to the relevant scientific literature in the field. From the issues raised by Karl Marx in his work, some of which are pertinent, to the group of 1% identified by Joseph Stiglitz or to the inequality of patrimonies debated by Thomas Piketty, the challenges of inequality have been numerous over time. These challenges have intensified in the current period given the issues the world faces in this area.

3. Increasing inequality in recent decades

Apart from some positive aspects, the significant economic development recorded globally during the current period – marked by the intensification of globalization – has entailed several shortcomings, including in terms of the equity in the distribution of income. Additionally, the GDP growth in many countries of the world has been based on questionable phenomena.

The expenditures related to the wealthy's personal security, the expenditures for the protection of private property and the arming expenditures are highlighted in the GDP structure. From this perspective, an increase in the GDP does not mean an increase in the population's living standard or a decrease in inequality.

The exploitation of natural resources such as crude oil, forests, etc. entails an immediate GDP growth for a limited period, in parallel to the diminishing of the national wealth. If we add the rents perceived by the state for the unjustified exploitation of natural resources, we find that the national interest is seriously damaged, even if the leading elites' interest is fully satisfied by the high commissions received.

The rapid increase in the world GDP per capita, comparable with the increase in the average salary per person, has led, since 1990, to a reduction in the share of labor force expenditures to the GDP in most countries of the world. This phenomenon was mainly determined by the ability of the capital to move freely around the globe to find the best capitalizing conditions. At the same time, a significant part of the profits generated by the financial markets and beyond has been removed from the economic circuit. Reducing the share of salary income in total income has led to a rise in overall inequality, favoring capital holders.

The share of budget revenues to the GDP is very low in the poorest countries, increasing gradually as the level of development reaches the highest values in developed countries. This indicator is almost twice as high in rich countries, compared to some poor countries. If a reduced GDP adds to a low collection rate, absolute budget revenues are extremely low in poor countries, leading to under-funding of education, health, pensions, etc. Without a proper tax collection system, the social valences of many developing countries are extremely limited.

The revenue structure of the 10% of the hierarchy has changed over time, and today it continues to dominate labor incomes, compared to capital income, which is largely a common situation. This changes radically in the case of the 1% of the hierarchy, where capital incomes become predominant. (Piketty, 2015, p.375, p. 379)

Interesting aspects of wage inequality can be found in the World Wage Report 2016-2017, developed by the International Labor Organization in Geneva.

According to a survey of 22 European countries (21 EU Member States plus Norway), in 2010, 5.8% of the total salary fund for these countries accounted for 1% of the highest salary earners. The country with the largest salary differences among the European countries for which data was available is the UK, where the 1% group receives 8.4% of the total wages paid in this country. Regarding the inequality in salary incomes, the survey highlighted the ratio between the average

salary of the 1% best paid persons and the average salary of the 10% worst paid persons. For all 22 European countries, the average salary of the 1% group is 8.4 times higher than the average salary of the 10% group, the smallest values being highlighted in Sweden (four times), Norway (five times) and Finland (five times) and the highest - in the UK (eleven times), Latvia (eleven times), Portugal (twelve times), Hungary (twelve times) and Romania (fourteen times). For most of the 12 developing countries under analysis located outside Europe, this ratio is much higher, the highest being in South Africa (sixty-nine times). Values close to the European average are in China (ten times) and in Argentina (ten times). It is noteworthy that the analysis did not target the US, perhaps due to the lack of necessary data. (Worldwide Wages Report for 2016/17, Wage Differences at Work, International Labor Organization, p. 41, p. 42)

Table no. 1 Evolution of the GDP per capita (US dollars)

	1990	2000	2010	2017
USA	35601	44809	48206	53023
Japan	25218	38323	44341	38640
Norway	28204	38075	87831	74716

Source: www.unctad.org

There are countries with a very good GDP per capita; however, they do not excel in terms of their living standard. It is noteworthy that in the analyzed countries, the GDP per capita reached high values. However, there are notable differences in how revenue has been distributed among the members of the society. Reducing the taxing rate for the rich and reimbursing the bill incurred by the global financial crisis by all the American citizens has led to a rise in inequality in the US, with direct negative consequences for the middle class and especially for the poor. Japan and Norway (generally the northern European countries) recorded diminished inequality levels, compared to most developed countries and especially to the USA. Taxes are high in Norway but, through fair income redistribution, the state ensures a decent living standard for almost the entire population. In Japan, the success is due to the reduced gap between salary incomes before tax. In addition to the fair income distribution within the society, we also need to consider the amount of free time, the way in which leisure time is spent, the environmental conditions in which people work, etc.

4. Causes of increasing inequality

If, during the period following the Second World War, labor productivity registered growth rates similar to the salary growth rate, we have noticed that for the past thirty years, there has been a slight shift between the two labor productivity indicators. This is especially true for developed countries, led by the managers of large companies who have thus maximized profits, generating financial resources to over-size their bonuses. Moreover, managers have turned crises into great opportunities, dismissing many employees; this has led to an increase in labor productivity and implicitly to profits and bonuses, even in such turbulent periods. Of course, the managers' bonuses as rent hunters have also grown directly.

The accentuated market liberalization of the past thirty years has led to a significant increase in the number and impact of financial crises compared to the period stretching from the end of the Second World War to the 1980s. The inability to pay public debt, inflationary crises, currency crises and, last but not least, banking crises are forms of financial crises generated by a capitalism oriented too much towards market liberalization.

Excessive neo-liberalism has led to a rise in inequality, the situation worsening in countries where the most influential personalities in society (the few and the rich) are dominated by greed, corruption, megalomania etc. For economic and social corrections, state interventionism in certain doses becomes necessary. (Kolodko, 2015, p. 35)

A country that applies higher taxes to the rich generates a reduction in economic inequality, i.e. greater social comfort. On the other hand, the states that provide opportunities for excessive income growth without an adequate effort on the part of the beneficiaries, contribute to social inequality. Such privileged persons are in fact the unjustified beneficiaries of rents whereby states redistribute

income in favor of the rich and influential. The dissatisfaction of popular masses, which most often materialize in large-scale social movements, also increases.

At the same time, the system has created the conditions for rent beneficiaries or "economic rent hunters", as called by Joseph Stiglitz, to take advantage of undeserved opportunities that have generated large sums of money. The rent beneficiaries are usually business people who hold important political positions or may influence people in such positions. In many cases, rent beneficiaries own media trusts or resort to such trusts to influence public opinion. (Stiglitz, 2013, p. 93-99) Undue benefits, obviously to the detriment of most of the population, can materialize in different forms:

- A monopoly in a certain field, triggering monopoly prices. If this monopoly was acquired following privatization at undervalued prices, then undeserved earnings are all the greater.
- More or less "masked" state aids, to the detriment of competition and population. Thus, for example, in Romania, a domestic chemical fertilizer company received natural gas (to use it as raw material) from the domestic production, through the goodwill of the Romanian government. This happened while the population and the other economic agents largely consumed imported natural gas, whose price was several times higher than the natural gas extracted in Romania. The substantial profit obtained by that company was achieved to the detriment of the Romanian population, which had to pay the bill for more expensive gas. Regarding Romania, we must emphasize that the Romanian state collects among the lowest royalties in the world for the right to exploit its own natural resources. It should also be emphasized that, Romania's natural wealth, compared to that in some countries in Africa or other parts of the world, is easily accessible and safe to exploit. The low level of royalties is doubled by a profit tax of only 16%, which make Romania one of the countries with the lowest level of oil extraction taxation.
- The payment by the rich of significantly lower taxes and charges in the context of respecting shares by reference to ordinary citizens. Funding electoral campaigns by strong financial, pharmaceutical etc., companies has led in many countries to the promulgation of laws favorable to the respective funders in terms of tax cuts and beyond. The same legislation allowed banks to generate famous derivatives based on questionable mortgages, products which they sold all over the world, buyers being unaware of the huge risks they faced.
- The right to exploit natural resources in exchange for the payment of unusually small royalties. Almost paradoxically, many countries that are very rich in natural resources are also very poor, one of the causes being represented by the reduced royalties earned for the right to exploit these resources. As an exception, we can highlight the case of Botswana, which, following the renegotiation of the income incurred by the assignment of the right to exploit diamonds, has earned substantial amounts of money, an important part being invested in education and health. The significant increase in Botswana's GDP over the last twenty years is the natural effect of a proper attitude adopted by this African state.
- Large companies imposed extremely high prices to different governments for infrastructure works, purchase of medical equipment, purchase of medicines, etc.

At present, as in the past, the idea that the substantial increase in the wealth of the rich would lead in time to the well-being of the poor has been verified only to a limited extent.

Excessive wealth is a weak incentive for many of its owners in order to make efforts to carry out investment projects with a special economic and social impact.

5 Conclusions

Despite all the progress made globally in the economic field and in raising the living standards of the population, we cannot overlook the large number of poor people on the planet.

About one billion of the world's population lived in 2016 in the extreme poverty areas, which – according to the World Bank standards – targeted people who lived with below \$ 1.9 a day. The

majority of these people are concentrated in Sub-Saharan Africa and South Asia. Approximately 800,000 of the poor are affected by hunger, which has an impact on their physical and mental development (TVR News, 2016, 1 billion people on the planet in extreme poverty - cause and consequence of social marginalization).

Rich people have access to technically well-equipped hospitals, benefiting from the latest findings in the field, while the poor, including their children, are undergoing ridiculous medical treatments; some are under-fed and therefore their immunity is very low.

Even in the happy situation triggered by the existence of an efficient and free medical system for all the citizens of the country, the physical and mental health of the poor is negatively affected by the financial shortages that they face daily. Life expectancy in many developed countries is by 7-8 years higher in rich areas than in poor countries.

Problems are aggravated by the fact that the people who get rich acquire an important political influence, redirecting the state's financial resources to support the growth of their own patrimony, diminishing the resources of the poor and their access to sanitary or educational services.

The strong rise in salary inequality, including in times of crisis, essentially demonstrates the market's inability to find equitable solutions to the problems it faces.

Limited and rational state intervention to reduce inequality is necessary and welcome. Thus, a state-balanced policy on income redistribution has helped hundreds of millions of people from China and Latin America to get out of poverty over the last thirty years.

In order to reduce inequality, the increase in the poor's income should have an average annual rate higher than the increase in the average national income through a correct substantiation of the investment, fiscal and social policies. The increase in the poor's income is primarily conditioned by the increase in income, in general, over a reasonable period.

This desideratum is difficult to achieve having in view that, according to certain scenarios, between 2018 and 2030 and even later, the average annual increase in the production rate will decrease compared to the period 1950-2018, because the technical progress has slowed down, environmental protection measures must be respected etc.

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New Perspectives in EFL and ESP Grammar Teaching. Case Study

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Abstract

This paper deals with new perspectives and challenges related to teaching grammar in an EFL class and highlights the fact that grammar instruction should be focused more on an eclectic approach rather than on a single teaching method. The theoretical section compares traditional and modern language teaching methods, highlighting some advantages and disadvantages. The practical section represents the pedagogical research, whose purpose is to demonstrate the efficiency of modern teaching methods of English verb tenses that can be applied in the EFL classroom. The research conducted on two groups of students, i.e. an experiment and a control one, was based on the hypothesis that the use of key elements and strategies specific to the modern teaching methods of English verb tenses increases the quality of instruction and of student achievement.

Key words: EFL, grammar teaching, learning, modern approach, traditional approach

J.E.L. classification: K00

1. Introduction

The two protagonists of an educational process, the teacher and the learner have always given birth to debates regarding the extent of each one's importance and leadership. There are clearly many differences in a traditional model classroom compared to the modern one. For instance, in a traditional classroom, the teacher usually controls of all classroom interactions, while in modern learning processes, the interactions among students prevail. Additionally, in traditional learning environments, teachers tends to talk almost all the time and often uses L1 for various explanations and translations (Chirobocea, 2018); thus, the students' speaking time is less than the teacher's. As a result, the students become bored and demotivated in learning English. On the other hand, in an English learning classroom where the teacher uses innovative techniques and methods, there is a simultaneous interaction between the students, who can discuss different views in pairs, be engaged in task solving and have enough time to express their points of view.

2. Theoretical background: modern vs. traditional teaching

Traditional (teacher-centered) approaches are still commonly used, especially in public schools. These methods are characterized by several drawbacks, such as the fact that they do not focus on learners and on their interests and needs; they are concerned with covering the context and with rule memorization; they fail to involve learners in creative thinking activities; instruction is mostly unilateral. Modern language teaching approaches transformed this learning context, being focused on innovative and creative activities that place the learner at the center of the teaching and learning processes. For instance, in modern teaching methods (which are conceived as reactions against traditional teaching approaches), the learning process is active, contextualized or constructive and learners are seen as information constructors, who acquire knowledge and language skills in accordance with their own experiences, culture and perspectives on the environment. Moreover, via social negotiation, learners "test their hypotheses and create new knowledge, correct previous knowledge, or confirm present knowledge" (Khalid and Azeem, 2012: 170).

Lord Thomas R. (1999) considers that, by applying modern teaching methods, teachers support learners during the problem-solving process and during inquiry-based learning activities, learners being able to formulate, state and verify their ideas, draw different conclusions and convey their knowledge and language skills in a collaborative learning background. Thus, learners are no longer seen as passive information recipients, required to memorize mechanically the knowledge transmitted; on the contrary, they become participants guided by their teacher (who translates the information into an appropriate format, in accordance with the learner's needs, capabilities and knowledge level) and involved actively in the learning process (Lord, 1999: 22-28).

The traditional ESL/EFL classroom is focused on the teacher; it is usually monopolized by direct and unilateral (i.e. teacher-learner) instruction/ teaching, with mainly uninvolved learners. In traditional classrooms, learners have to acquire certain knowledge and skills, memorize the pieces of information provided by the teacher, without asking any questions (Stofflett, 1998). The teacher transmits knowledge to the passive learner, with little or even no room for independent ideas or learner-learner interactions ("Virginia Association of Science Teachers", 1998). The teacher does not encourage debates, explorations and analyses of the taught concepts, triggering the ignorance of critical thinking. According to Khalid and Azeem (2012: 172), "the innovative approaches pose a question to the students who work together in small groups or individually, in order to discover one or more solutions". Therefore, students are more active and perform various learning tasks together, teachers assisting them in the development of unique insights, creating connections with their past knowledge, and leaving the discovery mission and the debates to learner groups ("Virginia Association of Science Teachers", 1998). For this purpose, the teacher organizes the class in different teams, asks questions and demands learners to work in teams, debate their ideas and present them to the whole class. Thus, "students are able to develop their own understanding of the subject matter based on previous knowledge and can correct any misconceptions they have" (Khalid and Azeem, 2012: 172).

Although both traditional and modern teaching approaches can entail successful language learning, the literature has revealed that modern and innovative contexts enhance the learners' enthusiasm and interest in the respective subject matter. However, from Scheurman's perspective (1998: 6-9), since the innovative, modern approaches need additional lesson planning, many language teachers hesitate to use them. Nowadays, there is an increasing change in learners and teachers' roles and relationships. Students must cope with the added responsibility for their learning, but also they have to dispose of suitable learning strategies (Maruntelu and Dumitrascu, 2011). This applies to the cognitive exposure with knowledge (organization, elaboration, critical examination and retrieval) and to the meta-cognitive strategies of planning, controlling and regulating learning processes and to the application of internal motivational and external supportive resources. Thus, learning has become learner-centered and new approaches have been developed such as communicative language teaching (CLT), contextual teaching and learning (CTL), community language learning (CLL), Suggestopedia, the silent way, task-based language (or TBL) teaching, neuro-linguistic programming (see Zamfir, 2006; Nadrag, 2009).

These new approaches to foreign language teaching became very popular and, according to Vizental (2007: 369), "brought about great changes in the field of language teaching and testing", focusing on meaning and interactions, employing task-based activities and encouraging learner independence, in order to animate language lessons, to actively engage students, to motivate and attract them by focusing on their short-terms and long-term needs. Contrary to traditional methods, modern methods focus more on the communicative competence. This involves the ability to use the foreign language in accordance with a certain social environment. The innovative approaches and activities are aimed at helping learners move beyond mastering the structures in a foreign language and reach the point where they can use them to communicate meaningfully in real life situations. Therefore, in foreign language learning, success is attained when learners developed their communicative competence, when they are able to apply their knowledge of formal and sociolinguistic language aspects and when they hold an adequate communication proficiency. Thus, the modern approaches to foreign language teaching widely use the communicative ability and concentrate more on the spoken form of the respective foreign language (see Nadrag, 2013).

3. Research methodology

Classroom research suggests that teaching and learning English verb tenses by modern approaches contributes to the creation of a friendly and pleasant atmosphere and directly influences the students' achievements in a positive manner (Lee and Smith, 1999; Shouse, 1996). Moreover, recent literature has highlighted the close connection between the students' social and academic skills, creating productive and academically engaging community-oriented classroom environments, focused on social and academic learning (Duncan et al., 2007). Since the ESP class should provide students "the tools to function in their field of activity and face any linguistic challenges" (Chirobocea, 2016: 97), the purpose of this section is to demonstrate the efficiency of the modern approaches to teaching and learning English verb tenses in the EFL classroom. Therefore, the main hypothesis of our research is as follows: if we use key elements and strategies specific to the modern/alternative approaches to teaching and learning English verb tenses in the EFL classroom, we will increase the quality of instruction, students will show increased achievement, with good behavior, adapted to the requirements of school life.

Considering the main hypothesis of our research, we used, as research methods, the observation and the experiment. The former deals with the direct observation of phenomena in their natural environment or context (Stenhouse, 1975), while the latter is carried out to verify, reject, or validate a hypothesis. Our observational research and experiment dealt with activities and elements specific to the modern/ alternative approaches to teaching and learning English verb tenses and with their influence on the students' academic achievement.

This research was conducted in the academic year 2017-2018, in the first semester, on two groups of students majoring in Business Economy, 2nd year of study (a control group and an experimental one), on two teaching units, i.e. one focused on present simple tense and the other dealing with present continuous. In order to demonstrate the efficiency of modern/ alternative approaches to EFL teaching, with the control class, we used traditional teaching methods, while as far as the experimental class is concerned, we applied key elements specific to modern/alternative teaching and learning approaches. As already mentioned, the latter are student-centered and based on entertaining activities, student-student interactions and teamwork. In this respect, we had in view concrete, highly practical teaching strategies that integrate academic and social-emotional learning. Before the experiment, we assessed the students' English skills and level of knowledge by giving them initial tests. At the end of our experiment (i.e. after the teaching stage), the students took a final test and we analyzed and compared their results, in order to verify the validity of our hypothesis. As far as the teaching materials are concerned, we used "Market Leader -Business Grammar and Usage", by Peter Strutt (Longman, 2000) and "Check Your English Vocabulary for Business and Administration", by Rawdon Wyatt (A&C Black, 2007) and other worksheets, handouts and cards on the topics discussed in the classroom, when the texts and the exercises from the textbooks mentioned above were insufficient or did not meet our teaching goals. In order to reach a high reliability and validity degree of the research results, before the experiment, we made sure that the control and the experimental groups are heterogeneous in terms of the number of students, age, gender distribution, cognitive level and social background.

4. Findings

The control group had 20 students, aged between 19 and 21 years old. As far as the students' English skills and knowledge are concerned, the initial tests applied to the control group revealed the following results:

Table no. 1 Initial English test results (control group)

l	Marks	Below 5	5-5.99	6-6.99	7-7.99	8-8.99	9-10	Average
	No. of students	3 (15%)	2 (10%)	6 (30%)	3 (15%)	4 (20%)	2 (10%)	6.95

Source: author's personal processing

Table 1 reveals that the students belonging to the control group got quite low marks in their initial English test, i.e. 15% of the students did not pass the test and 40% got marks between 5 and 6.99. More than one third got between 7 and 8.99 and only 10% got between 9 and 10.

The experimental group had 19 students, also aged between 19 and 21. As far as the students' English skills and knowledge are concerned, the initial test applied to this experimental group revealed the following results:

Table no. 2 Initial English test results (experimental group)

Marks	Below 5	5-5.99	6-6.99	7-7.99	8-8.99	9-10	Average
No. of students	2 (10%)	4 (21%)	5 (26%)	4 (21%)	2 (11%)	2 (11%)	6.81

Source: author's personal processing

Table no. 2 presented above reveal that the students from the experimental group also got quite low marks in their initial English test, i.e. 10% did not pass the test, almost one half (47%) got marks between 5 and 6.99 and one third (31%) obtained marks between 7 and 8.99. The data above show that both the control and the experimental groups are similar as far as the students' English skills and age are concerned (i.e. 2 students from the experimental class and 3 students from the control class did not pass the test; 9 students from the experimental class and 8 students from the control class got marks between 5 and 6.99; 6 experimental students and 7 control students got marks between 7 and 8.00; 2 students from the experimental class and 2 students from the control one got marks between 9 and 10).

As already mentioned, for the purpose of this research, we used both traditional EFL teaching methods (for the control group) and modern/ alternative strategies and activities for teaching and learning English verb tenses (for the experimental group), in order to demonstrate the efficiency of the latter. Therefore, for the control class, the lessons consisted of traditional activities and exercises such as "Look, listen and repeat", "Choose the right answer", "Match", "Listen and talk with your friend", "Put the words in the right place", "Put the verbs in the right order", "Complete the sentences", "Circle and correct the mistakes".

The modern/ alternative approaches require creativity and are designed to provide a well-managed classroom environment, enhance the students' social and emotional learning processes, and integrate both social and academic learning and the teaching of social skills because the academic success should also be connected to social skills, such as cooperation, assertion, responsibility and empathy. Thus, with the experimental group, I used modern strategies and techniques in the ways of organizing students, engaging academics, classroom management, student-centered principles, components and activities. The practices applied in the experimental group included interactive, fun and engaging activities designed to provide students the opportunity to share information about themselves; for example, we played games such as "Storyboard game", "Hot Verb-Tato", "Verb Snip", "Relay Race", "Twenty Questions Verb Edition" (see Chou; Long, 2015; Shvidko, 2016). In the "Storyboard game", I prepared a logical story, based on ten pictures. I jumbled the pictures and asked my students to arrange them in order to tell the respective story and to talk about one picture in relation to the others, using present simple or present continuous.

In order to play "Hot Verb-Tato", I arranged students in a circle and played some background music. The student holding the "potato" (a ball) had to make a sentence with a verb in present simple or continuous before tossing the "potato" to another colleague. When the music stopped, the student that held the "potato" received a punishment (for instance, I asked him/her some questions in English about his/her daily routine). For the "Relay Race", I wrote some sentences (the verb was missing) on the whiteboard. I divided my students into two teams and asked them to go in front of the classroom. Then I asked them to complete the sentences with a suitable verb in present simple or continuous, the affirmative, negative and interrogative form (depending on the context) (the first student in line filled in the first blank, the second student filled in the second blank and so on, until they finished all the sentences). The team with the greatest number of correct verb forms won the game. In order to play "Twenty Questions Verb Edition", I asked one student to come in front of the class and gave him/her a verb. The other students had to guess the respective verb by means yes/no questions, in present simple or continuous; such questions are: "Do you do it in the office?" "Yes!" "Do you do it during a meeting?" "No." "Are you reading a report?" "No!" "Are you

typewriting?" "Yes!" I limited the number of questions (no more than five questions) that the students could ask in order to guess the verb.

Other practices typical of the modern/ alternative teaching approaches, which we employed in the experimental class, included interactive modeling, logical consequences, student practice, interactive learning structures, active teaching, guided discovery, classroom organization and collaborative problem solving (see *Teach.com*, 2016). Thus, tasks became more active, interactive, challenging and connected to the students' interests. Furthermore, they were accompanied by clear directions, high-quality feedback and effective classroom management, against a background that encouraged the students' autonomy and focus on the learning process. At the end of our experiment (i.e. after the teaching stage), the students passed some final tests and we analyzed and compared the results obtained by the control and the experimental classes, in order to verify the validity of our hypothesis (i.e. the modern/ alternative approaches to teaching and learning English verb tenses increase the quality of instruction, students show increased achievement, and good behavior, adapted to the requirements of school life). The statistics of the students' results are presented in the tables below:

Table no. 3 Final English test results (control group)

Marks	Below 5	5-5.99	6-6.99	7-7.99	8-8.99	9-10	Average
No. of students	1 (5%)	2 (10%)	5 (25%)	5 (25%)	4 (20%)	3 (15%)	7.4

Source: author's personal processing

If we compare the results presented above with the ones obtained by students in their initial English tests, we notice only a slight improvement in their EFL skills. Thus, initially, there were 3 students that did not pass the test, while one student failed the final test. The percentage of those who got between 5 and 6.99 reduced slightly (i.e. from 40% to 35%). There were more marks between 7 and 8.99 (35% in the initial test and 45% in the final test); the number of the marks between 9 and 10 also increased (from 2 to 3). This reveals that the traditional methods used with the control group helped students improve their school results only to a low extent.

Table no. 3 Final English test results (experimental group)

Marks	Below 5	5-5.99	6-6.99	7-7.99	8-8.99	9-10	Average
No. of students	0 (0%)	1 (5%)	1 (5%)	5 (27%)	7 (37%)	5 (26%)	8.25

Source: author's personal processing

The data in the table above reveal that the experimental students greatly improved their ESP skills. First, all students passed the test. Moreover, the percentage of the grades between 7 and 8.99 and between 9 and 10 doubled (i.e. from 31% to 64% and from 11% to 26% respectively). It should be noted that marks between 5 and 6 have reduced significantly, i.e. from 47% to only 10%. These results reveal the efficiency of the principles, strategies and activities of the modern/alternative approaches to English teaching grammar and learning. By comparing the final test results from the two groups, we may notice that the experimental students got a higher general class average. Moreover, 5% of the control students failed the test, while all the students from the experimental class passed it. As for the control class, 35% of the students got marks between 5 and 6.99, compared to only 10% in the experimental class; 45% of the control students got between 7 and 8.99; 64% of the experimental students got this mark. More than one quarter of the experimental students (26%) got the highest marks (between 9 and 10), i.e. almost double compared to the control students (only 15% got marks between 9 and 10). Consequently, these test results highlight that our hypothesis (the modern/alternative approaches to teaching and learning English grammar increase the quality of instruction; students show increased achievement, and good behavior, adapted to the requirements of school life) is valid.

5. Conclusion

Due to the fast social and technological changes brought about by the twenty-first century, nowadays, schools must aim at training new learner types, responsible and focused on the continuous improvement of their language skills and on long-life learning. It is noteworthy that the concurrent focus on the improvement of both thinking and language skills, learners will be able to enhance their linguistic and communicative skills and apply new approaches in their interactions. Finally, modern teaching methods also aim at transforming learners into mediators of the language learning process, mediators that can also frame their own learning. This is achieved by professing concepts such as cross curricula connections, learner autonomy and uniqueness, by stressing skill enhancement, perception and experience, by capitalizing the non-linear structure of the taught material, by applying basically communicative task-based activities, by prioritizing the extralinguistic focus of activities, by developing and reinforcing powerful and creative thinking (Vizental, 2007: 53-54).

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Translation as Language Learning Technique and the Use of L1 in ESP Classes. Learners' Perceptions

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Abstract

This paper presents the findings of a questionnaire offered to ESP students from four academic programs, both first and second year. Its purpose was to assess their perceptions of the course design that included translation activities as language learning devices, as well as the use of L1, specifically for the introduction and revision of difficult terminology related to their respective domains. The feedback was positive, in that a large majority of responders believed that these types of activities boosted their English proficiency, that they were both useful and enjoyable, and that they helped with both grammar and specialized vocabulary. Also, an overwhelming majority found it useful to be given an exact equivalent in L1 for the specialized vocabulary.

Key words: translation, L1, questionnaire, learning technique, ESP

J.E.L. classification: Z13

1. Introduction

Over the past few years I have incorporated translation activities in the ESP course design. It is important to clarify from the start that the course was neither meant for the training of professional translators nor focused on the Grammar-Translation Method, but included translation activities as a language learning device, a trend that has been gaining momentum for many years (Chirobocea, 2018). My decision was based on my experience with Romanian ESP students who seemed to understand better certain aspects of the English language, especially specialized vocabulary, when translations and L1 were employed. Clarity is important in ESP and not confusing two apparently similar terms is often crucial in domains such as science, law, aviation, medicine or business. In spite of offering explanations or definitions of terms using English only, there was often a feeling of revelation among the students when I offered them the exact equivalent in L1, a mark of the fact that understanding the "gist" is not enough in ESP, as there is no room for confusion in the domains of activity enumerated above. Year by year I began to include more targeted translation activities and I noticed the results improved as the students managed to retain more specialized vocabulary in particular, but also appeared to understand better other aspects of the language as well. However, I wanted to have more concrete evidence of this impression, therefore I used the questionnaire to verify my assumptions.

In my ESP course I used Romanian to English translation activities as a means to introduce, practice or revise specialized vocabulary, as a means to exemplify the use of certain domain-specific phrases and collocations, but also as a means to identify and eliminate negative transfer from Romanian into English, in the context of the specific domain. Polysemy, for example, is an important issue in a specialized text (Buzarna-Tihenea and Nadrag, 2016, p.194) and it was often solved by a translation activity, where the exact meaning of each possible option was discussed and clarified. Thus, the students understood better confusing items of specialized vocabulary. A more general purpose was to have continuous awareness, from lesson to lesson, of the English sentence structure, word order, or the use of what Paul Nation calls function words (articles, pronouns, prepositions and conjunctions) and content words (nouns, verbs and adjectives) (Nation, 2001, p.15). English to Romanian translations were used in order to clarify the exact equivalent of certain

specialized words and to facilitate the understanding of difficult terminology and domain-specific phrases and collocations. All these seemed easier to illustrate and practice by means of translations.

2. Theoretical background

While for decades the communicative approach has been the norm in English teaching in general and ESP in particular, my inclination has been to also include translations as a learning device, as well as L1 for difficult terminology. There are new perspectives on the issue of using translations and L1 for English teaching and many practitioners have already explored this path, both in class and in their research. In a previous article I justified the reasons for erasing the stigma from translation as a language learning technique and for the promotion of a more generalized use of it in ESP classes, where it is particularly useful (Chirobocea, 2018) and will not reiterate them here. Numerous researchers investigated this approach and the results were promising in all cases, namely the students were not against translating in order to acquire a better knowledge of the English language and did not reject the use of L1, regardless of proficiency level, because it was considered a part of their cultural background, helpful in the understanding of the new language.

William Schweers's 1999 study is often referenced when it comes to this topic and his questionnaire revealed that over 88% of the students involved felt that L1 should be used in the English class (Schweers, 1999, p.8). Angeles Carreres's 2006 survey regarding the usefulness of translation as a language learning device concluded that "L2 translation is unambiguously perceived by students as conducive to language learning" and that "translation is among the most effective methods to learn a language, if not the most effective" (Carreres, 2006). Posen Liao's complex study highlights a similar conclusion: "On the whole, the participants overwhelmingly believe that translating helps them acquire English language skills such as reading, writing, speaking, vocabulary, idioms, and phrases" (Liao, 2006, p.201). Calis and Dikilitas conclude at the end of their study that learners "would like to and need to learn grammatical patterns through translation activities as they feel surer to have learnt the target input by matching or mismatching with those in their own language" (Calis and Dikilitas, 2012, p.5083). The study conducted by Ana B. Fernández-Guerra had similarly positive reactions as "almost all participants subscribed to the view that using the mother tongue is quite normal when learning a FL" and "they also highly agreed on the fact that translation helps to contrast the students' native language with the FL" (Fernández-Guerra 2014, p.161). A 2017 study on an Iranian EFL setting analyzes the perceptions of both teachers and students and, although the results were not overwhelmingly in favor of translation activities and the use of L1, the authors conclude that such activities can be used in certain cases such as to remove psychological barriers, when teaching complex grammatical structures or difficult vocabulary, or when cultural aspects impede comprehension (Mollalei et al, 2017, p.72). In terms of ESP, the 2007 study accomplished by Kavaliauskienë and Kaminskienë reveals that "all the students are quite positive about the use of mother tongue in English classes, but the amount of it depends on learners' proficiency in English" (Kavaliauskienë and Kaminskienë, 2007, p.136). Also, the results of Mirvan Xhemaili's 2013 study involving Albanian ESP students showed that as much as 75% of the participants felt that L1 should be used in class, specifically for checking comprehension and for new vocabulary items (Xhemaili, 2013, p.193). Ian Tudor's research on ESP learners, as far back as 1987, also draws similarly positive conclusions (Tudor, 1987, p.272).

Numerous other studies (Perkins, 1985; Prince, 1996; Hsieh, 2000; Brooks-Lewis, 2009; Kavaliauskienė, 2009; Dagiliene, 2012), either based on surveys (questionnaires or interviews) or other research methods, reach similar conclusions, namely that learners in general have a positive attitude towards translation activities and the use of L1, both in EFL and ESP classes, regardless of proficiency level, because these activities help them with the retention and clarification of a wide variety of language issues.

3. Materials and methods

The study was represented by a questionnaire containing both open-ended and closed-ended questions. The participants were students from four related academic programs: biology, ecology, agriculture and horticulture. The questionnaires were given to those that attended at least 50% of the English classes over the academic year 2017-2018. The groups were mostly small (10-14 students), but some were larger (25-30 students) (see Table 1); the attendance was approximately 80% per program. The level of English proficiency was mixed, but the biology students were proportionately more advanced than the students in the other three programs, who were mostly lower-intermediate, with a few beginners. The eight questions were meant to offer feedback about the types of translation activities the learners were normally asked to work on in class, how useful they were considered by the students and whether they approved of the occasional use of L1, especially for difficult terminology.

My interest was not to obtain a complex statistical result, but simply to assess my choices of course design and verify whether this type of approach is considered useful and/or pleasant by the students so that I can adjust my approach in the following year. Therefore, I was interested in nuances as well, specifically in their opinions regarding each type of activity in the assessed category. For most questions (five out of eight) the requirement was to choose only one option, while for the other three (questions 2, 7 and 8), the students could choose as many options as they thought necessary.

Table no. 1. Information about the participants

Program	Biology 1 st year	Biology 2 nd year	Ecology 1 st year	Ecology 2 nd year	Agriculture 1 st year	Horticulture 1 st year	Total
No. of students with over 50% attendance	26	25	12	10	13	9	95
No. of students that filled out questionnaires	20	22	8	9	7	9	75

Source: table processed by the author

4. Findings

In Question 1 (see Table 2), most subjects chose option c. (over 85%), declaring that the translation activities helped them with a better understanding of specialized English. While little over 13% chose option b., namely they gained little help from translation activities, not a single subject chose option a.

Table no. 2. Question 1 and statistical results

Q1. Within each lesson, you were given a few activities that involved translation from Romanian into English and vice-versa. As a whole, how much do you appreciate this kind of activity facilitated the understanding of specialized English (choose one option only):

Q1 0,00%_____13.33% c 86.67%_____

a. not at all; b. little; c. very much

Source: Question and chart processed by the author

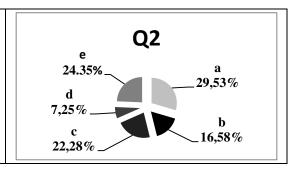
Question 2 (see Table 3) was open-ended and they had several options to choose from. Their preferences were spread in fairly equal shares among retaining terminology (a. – approximately 30%), understanding the use of other vocabulary issues (c. – over 22%), and English phraseology and sentence organization (e. – over 24%). A smaller percentage chose grammar (b. – over 16%) and ever fewer subjects chose option d. (little over 7%), the understanding of differences between Romanian and English.

Table no. 3. Question 2 and statistical results

Q2. The translation activities within the lessons helped me (choose as many options as you require):

- a. to retain terminology better
- b. to understand grammar better
- c. to understand the use of certain words better (articles, prepositions, conjunctions).
- d. to understand the differences between Ro and En
- e. to understand better English phraseology and how to express an idea given the specific organization of the English sentence.

Source: Question and chart processed by the author



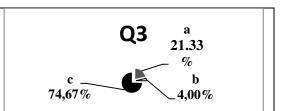
In Question 3 (see Table 4), option c. was favored (74.67%) over options a. (21%) and b. (4%). Thus, nearly three quarters of responders considered that translation activities helped them with both grammar and vocabulary.

Table no. 4. Question 3 and statistical results

Q3. Do you think the translation activities within the lessons helped more with the revision, imprinting and introduction of (choose one option only):

- a. specialized vocabulary
- b. grammar
- c. both vocabulary and grammar

Source: Question and chart processed by the author



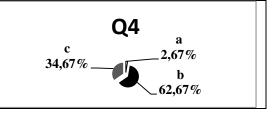
In Question 4 (see Table 5), over half of the responses (62.67%) were in favor of option b., while only 34.67% of the responders believed translation activities helped them improve their knowledge of specialized English more than other types of activities.

Table no. 5. Question 4 and statistical results

Q4. How do you appreciate the usefulness of the translation activities for the improvement of your knowledge of specialized English (choose one option only):

- a. they helped less than other activities
- b. they helped as much as other activities
- c. they helped more than other activities

Source: Question and chart processed by the author



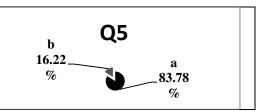
Question 5 (see Table 6) was, again, closed-ended, and an overwhelming majority (close to 84%) believed that more translation activities would help them improve their knowledge of specialized English.

Table no. 6. Question 5 and statistical results

Q5. At this moment, the proportion of translation activities within the lessons is between 10 and 15%. Do you think a higher proportion of translation activities will help you improve your knowledge of specialized English? (choose one option only)



b. No



Source: Question and chart processed by the author

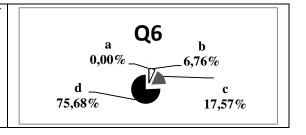
Question 6 (see Table 7) was also closed-ended and three quarters of responders (75.68%) chose option d., namely that they both liked translation activities and found them useful. Close to 18% chose option c., which is also a positive choice, while 6.76% acknowledged their usefulness in spite of not necessary liking them.

Table no. 7. Question 6 and statistical results

Q6. What was your feeling towards this type of activity (translation into and from English and Romanian) compared to other activities? (choose one option only)

- a. I did not like them, they did not help
- b. I did not like them but they were useful
- c. I did not mind them
- d. I liked them and they were useful

Source: Question and chart processed by the author

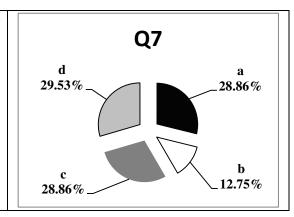


Question 7 (see Table 8), like Question 2, was open-ended and the responses were again spread in fairly equal shares among the types of activities they liked. However, while options a., c., and d. displayed very similar percentages (close to 30% each), option b. was less favored (12.75%).

Table no. 8. Question 7 and statistical results

- **Q7.** Which type of activity involving Romanian do you think helped you more to retain and understand terminology? (choose as many options as you require)
 - a. to look up the English equivalent for a Romanian term (a list of vocabulary at the end of a text)
 - b. to use certain English phrases from the given text to create, fill in or recognize phrases in Ro
 - c. to translate given phrases or sentences that involved the specialized vocabulary presented within the respective lesson
 - d. to revise the terminology at the end of each lesson using the exact equivalent Ro-En

Source: Question and chart processed by the author

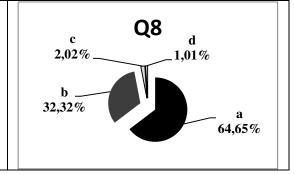


Question 8 (see Table 9), like Questions 2 and 7, was open-ended and concerned with the use of L1 in the ESP class. The results were overwhelmingly inclined towards the usefulness of getting either an explanation or the exact equivalent of a specialized word in L1. Only one and two responders, respectively, chose options d. (2%) or c. (1%), and they belonged to the more advanced groups (Biology 1^{st} and 2^{nd} year).

Table no. 9. Question 8 and statistical results

Q8. How do you appreciate the use of Romanian within the lessons? (choose as many options as you require)

- a. I find it useful when the teacher first explains a specialized term in Romanian
- b. I find it more useful when the teacher gives me the exact equivalent into Romanian
- c. I prefer and find it more helpful to be given the explanation in English
- d. I do not approve of the use of Romanian within the English lessons;



Source: Question and chart processed by the author

5. Conclusions

The results were favorable given the premise, in that the majority of participants found the translation activities useful for the improvement of their knowledge of English, and also even enjoyable. High percentages resulted from questions 1, 6, 3, 5 and 8, where the participants declared that these types of activities involving translations and L1 helped them very much in general (86.67%), that they found them both useful and enjoyable (75.68%), that the activities

helped with both grammar and vocabulary (74.67%), that they would like the classes to contain even more such activities (83.78%), and that it was useful to get and explanation or an exact equivalent in L1 for specialized words and difficult vocabulary items (96.97%), regardless of proficiency level. The results of the open-ended questions were spread rather equally among the options given, with most responders choosing at least two possibilities, namely types of activities they found helpful (question 7) or specifically what these activities promoted (question 2): understanding of terminology, grammar, phraseology, the use of function and content words, or the differences between L1 and L2. Given the positive results obtained from all the other questions, a rather surprising outcome can be observed in question 4, where over half of the responders (62.67%) did not see translation activities as more conducive to the improvement of their knowledge of English when compared to other activities, but equally helpful. However, only 2.67% picked option a., namely that these activities were less helpful than others.

Among the limitations of this study I would refer to the small number of participants per program in some cases and also to the complexity of the open-ended questions. Unfortunately, the reality is that the groups are generally small in some programs and that is an objective condition. However, the total number of participants is relevant for the assessment. As far as the two open-ended questions are concerned, I needed specific feedback from my students so that I can adapt the type of activities for the future. However, the conclusion is that the feedback was generally positive and encouraging, and it came as additional evidence for the studies cited earlier that count both translations, as a language learning device, and the use of L1, in EFL classes in general and ESP classes in particular, as preferred by learners and very useful for the improvement of their English proficiency.

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The Costs of the Professional Training at the Level of the Economic Entities: Long-Term Investment or Expense?

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Abstract

In the current economy, investment in education and employee training is just as important as investment in heritage, with economic entities often focusing on the costs of training that do not quantify the benefits. Therefore, initial training determines that the investment can recover itself, without having to go through the entire professional path to the faculty level in order to enjoy the economic benefits of education. However, it is noted that vocational training is not perceived as a gross or net investment, as graduates are placed on the labour market. Starting from the abovementioned aspects, the purpose of this paper was to analyse the costs of training at the level of the economic entities, resulting in their real cost or investment quality.

Key words: Professional training, costs, economic entities, investment, expense.

J.E.L. classification: A19, D04, M29, M42, M48.

1. Introduction

Research on what is immaterial shows an impressive increase in investment. In the opinion of some analysts (Caspar and Afriat, 1989), the estimated share of intangible investment accounts for almost half of the material investment effort. This part, in the added value of entities, is progressing faster than investing in material assets. The concept of immaterial investment is defined in the form of several types of expenditure: research and development, training, marketing, procurement or computerization, and studies to improve the exploitation process.

In Dima and Man conception (2013), it is desirable to question the use of the intangible capital of entities: "how is it discovered, how it is organized, how it is exploited." (...) The issue of managing intangible assets is a major challenge. Work in this area is still modest. The human resources, the true immaterial capital in which a company invests from the recruitment of staff to the retirement phase, are of interest to us, evidence and the present work with a focus on vocational training. The analysis of the phenomenon of professional training at the level of an economic entity has been going on for a long time, giving us, by comparison, a fertile ground for contextual assessments. Until the 1990s, the concept of competitiveness was based on the idea that direct labour contributes to the formation of prices for products and services, representing itself the main source of costs.

For Ienciu (2012), this traditional thinking has led the entities to disinterest in the value of products and to concentrate efforts on the cost of consumed resources to increase profit, an outdated and inefficient idea, especially in the economic conditions we are currently going through. That is why human capital is the most valuable asset an entity can hold. However, many economic entities do not distinguish between the cost of wages and the value of investing in human capital. Human capital develops when an entity intensively uses employee knowledge or when a large number of individuals acquire useful knowledge to generate profit in the workplace. Thus, in order to increase their competitive profile on the market, entities need to use their human capital as efficiently as possible (Ciurea and Rakos, 2016; Ciurea and Man, 2017).

But there is this dilemma: we know how much it costs - giving up income during the years of studies - and what generates - higher earnings - but we do not know exactly what it contains. Therefore, the mechanisms by which people through education become useful and effective for economic activity are not deciphered.

In view of the above, the aim of this paper was to identify issues related to the costs of training at the level of economic entities in the sense that they are found either as an expense or as an investment. So I structured the work as follows: Section 1: Introduction, Section 2: Research Methodology, Section 3: Approaches to professional training for an economic entities, Section 4: Current practices of accounting for the costs of professional training at the level of economic entities and the last section gives the final conclusions from this research.

2. Research Methodology

In order to start this scientific approach we used the theoretical documentary research specific to the analysed field. The extraction of the information was done by consulting scientific literature, books, scientific papers presented at various conferences, specialized studies found in journals relevant to the research carried out, the synthesis of which resulted in an analysis of the cost of training at the level of the economic entities and personal opinions identified following these investigations.

3. Theoretical background: Approaches to professional training for an economic entities

The definition of professional training by academician Gregory Moisil, according to which "as long as man lives, which is the idea that lifelong learning extends all his life", it turns out to be a topical momentum. The goal of any public policy, whether we are talking about reforming education or forming individuals, is to improve people's lives. Human capital formation takes place not only in compulsory initial education or in continuing vocational training programs, but also in non-formal education, in self-education.

The analysis of the specialized literature revealed that the decision to invest in human capital has a significant impact on the general level of economic and social development (Măcriș and Man, 2012). Consequently, it must be addressed not only as an individual decision, but also as a strategic one.

Given the transition of the Romanian economy to the restructuring on the basis of efficiency and cost-effectiveness, a role of the greatest importance lies with the human factor. Significance is generated by the fact that the human potential is the active, creative and coordinating element of economic activity. In the current stage of development characterized by the concern to increase efficiency in all areas of activity, an important role is played by the maximization of the material and monetary means, of all the possibilities offered by the technical material base, and the main means of accomplishing this goal is the use human material at its full value (Stanko et. al., 2014; Man and Măcriș, 2017).

Assessing the contribution of vocational training to economic growth and, implicitly, to productivity, however, strikes some bounds relatively difficult to overcome. These mainly concern the fact that investment in training over a given period contributes to increasing human resource qualification in that year and beyond, but the effects of this investment on productivity growth need to be analysed over relatively long periods medium and long term), short-term analyses being irrelevant (Macris et al., 2011).

On the other hand, investments in human capital, according to the technical and economic criteria, by destination and the nature of the results of the activity are considered as non-material investments. In this context, we ask ourselves the question: why are investments in human capital, from the accounting point of view, considered to be expenses of the period? This vision merely distorts the profitability aspect of an economic entity and appears as a barrier to managerial activity that is based on a cost-dominance strategy. In other words, financial information, final financial reporting situations lead managers and investors to misinterpret the capitalization of the human capital.

4. Current practices of accounting for the costs of professional training at the level of economic entities

In view of the above approaches and the accounting principles, in particular the independence of exercises, it can be considered that investments in human capital must be considered as an intangible (intangible or intangible) asset that can be subject to amortization.

The current tendency, both at national and European level, in the "knowledge triangle" research, education, innovation, *leads us* to disregard a provision of IAS 38 "Intangible Assets" which states that "all other costs of intangible assets are expensed. These include: [...] the cost of training, (.....) given the essence of the IAS as, over the years, the role of intangible assets has become increasingly important for the operations and prosperity of many business types, as the *knowledge-based* economy gains increasing consistency" (IFRS, 2017).

Intangible assets are, by definition, assets that do not have a physical substance. However, there may be situations in which they also get physical form. For example, a qualification certificate or graduation diploma may be a tangible proof of the asset, although it does not represent it in itself. This makes the asset identifiable, separate from others. If the intangible asset (in the case of our training) is made internally, the enterprise must demonstrate its ability to use it at its fair value (Iacob and Pîrvu, 2009).

The above statements lead us to question the opinion expressed by other authors (Epstein and Mirza, 2005), which states that: "Intangible assets arising from the technical knowledge of staff, long-term training benefits will have difficulty in meeting the recognition criteria with all expected future economic benefits. This is because the entity would not be able to fully control these resources or prevent others from controlling them. Even if an entity generates considerable training costs that are supposed to improve staff skills, the economic benefits of trained staff can't be controlled, as trained employees might be able to leave their current workplace and continue career to other employers. Thus, staff training costs, no matter how significant they are, are not yet classified as intangible assets".

The above remarks are demobilizing and touch not only on the continuous training process but on the training itself as such. There is labour mobility, young people trained to go to another employer in the same country or abroad, but the phenomenon is not mass. On the other hand, the training process itself is a means of diminishing the mobility of the labour force as future benefits also concern the employee and the employer (Măcriș, 2013). And if we are to embrace the pessimism of these authors, what prevents employers from regulating the stability of their employees in terms of their legal status (at least through the amortization of the immobilized asset)?

Considering the possibility of identifying training as an intangible asset that, in my opinion, can be controlled by the entity and generates an input of future economic benefits, we consider it appropriate to reflect in the bookkeeping the costs of training as know-how sites. This would increase the scope and function of Account 205 Concessions, Patents, Licenses, Trademarks and Other Rights and Similar Values. The way of reflecting in the accounting is the one specific to the acquisition of intangible assets from abroad, namely:

✓ payment of the training costs incurred by third parties:

% = 404 Property Providers

205 Concessions, Patents, Licenses, Commercial Trademarks and Other Rights and Similar Values 426 Deductible VAT

✓ amortization of the intangible asset within 1-3 years:

6811 Operating Expenses on Depreciation of the Assets

= 2805 Amortization of Concessions, Patents, Licenses, Commercial Trademarks and Other Rights and Similar Values If we refer to the asset made from its own production (apprenticeship, recruitment, work organization), account 205 will correspond to account 721 Income from the production of intangible assets. Human Capital Accounting puts the issue of the economic and financial assessment of the human capital that the entity uses. It must be based on respecting the principle of exercise independence by distinguishing personnel costs that can be considered as costs of the period of investment in personnel that should be immobilized and depreciated over time (Vătășoiu et.al., 2010; Man and Ciurea, 2016). Obviously, the costs incurred by the entity to provide its staffing services are treated in the classroom as a period's expense and recorded using the historical cost principle (Răscolean and Rakoş, 2015, 2017).

The problem of accounting reflection can be considered legitimate in terms of cost, as well, as we refer to recruitment, training, apprenticeship and work organization costs. These expenditures produce productive effects over several periods (depreciation), which in turn can generate future economic benefits and thus reliably measure the cost of various expenditures, as shown in the scheme shown in Figure 1.

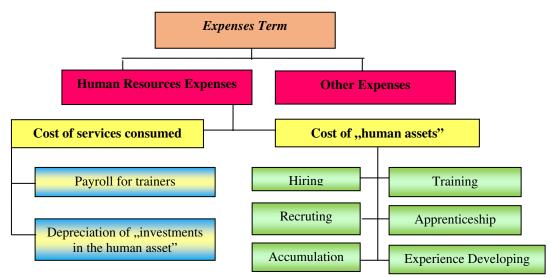


Figure no.1. Human Resource Cost Scheme

Source: processing of the author.

Moreover, neither management nor an adequate approach to the management of intangible assets is found. Thus, we note that:

- the managerial structure does not designate individuals with intangible asset management, as managerial responsibilities such as chief knowledge officer, director of intellectual capital, etc;
- not taking the good practice solutions of companies with results in quantifying intellectual capital (e.g. Nokia, Skandia, etc.);
 - even empirical solutions to be applied or adapted, as appropriate, are not adapted.

Under these circumstances, it is possible to lose certain advantages to ensure the competitiveness of entities, improper adjustment to the competitive pressure on the domestic market with an impact on the quality of economic growth at national level and the transition to a knowledge-based economic development (Man and Măcriş, 2015).

In conclusion, it can be argued that the recognition of investments in human capital as an intangible fixed asset, in our opinion, has the following advantages:

- the possibility of tracking the cost of investments in human capital from the perspective of the investment projects evaluation and the calculation of the R.O.I. return on investment as an internal rate, then as a business opportunity as it will be based on concrete accounting data and not on managers' intuition;
- explaining goodwill in terms of human capital as part of this overvalue. Goodwill consists in correcting an entity's property value, taking into account the ability of its future benefits. In essence, the method consists of calculating an excellent annual return (goodwill) and a fixed-term update. This superpower is then added to the patrimonial value to obtain the value of the entity.

Consider choosing the update duration (in our opinion the duration the asset is likely to produce over benefit) and choosing the upgrade rate. We suggest using the increased capital cost with a premium to take account of the entity's risk level.

The integration of human capital into the economic entity's asset will allow for a more realistic valuation of the asset, the value of which will be increased or diminished according to the quality of the personnel. In a knowledge-based economy, individuals should not be seen as cost but as income creators, and the knowledge and competence of people as welfare sources (Măcriş and Măcriş, 2010). As people are income generators, then, if we want measurements to be as accurate as possible, we need to look carefully at the source of their knowledge.

5. Conclusions

Although people are the measure of all things, their importance is not valued at real value. In conclusion, the more you invest in human capital, the better promises, better economic performance, both from the point of view of the individual, the employer, and society in general. In the current economic conditions we are going through, the conclusion is clear and obvious: investing in human capital, at macroeconomic and microeconomic level, is becoming and becoming more and more profitable. The profitability of the investment in human capital must be based on the value of the individual, depending on the duration at the workplace, the quality of the work and the contribution over a period of time. This research has been centred on investigating the cost of training at the level of the economic entities.

The lack of qualified staff leads to reduced efficiency, increased production costs, non-compliance with deadlines, resulting in lower employer and staff revenues. This is why economic entities need to be convinced with concrete and well-documented data on the necessity and the benefits obtained through a hard work of training and upgrading of the hired personnel, who in fact prefer to hire already trained staff. Noteworthy is that people who have invested in their own training are in a privileged position over: young graduates; inexperienced workers and people returning to the labour market after a period of unemployment or inactivity.

The conclusion that emerges from this analysis leads us to appreciate that in Romania, vocational training is still regarded by entities as a cost, which should be as small as possible and not as an investment. The investments of entities in the development of human resources are small and the expenses generated by the training are mainly covered by individuals directly interested in this process of improvement.

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The Possibility of Developing an Appropriate Framework for Reflecting Information and Making Decisions on the Human Capital

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Abstract

The rapid evolution of the economic environment, under the influence of constantly moving factors, leads to rapid changes in economic theory. The rapidity with which they follow, also influences aspects of information reflection and decision making in the field of human capital. In order for the information and processes of decision-making in the field of human knowledge not to risk being mistaken, a good knowledge and interpretation is necessary. Consequently, through this scientific approach, we considered a schematic presentation from which to identify the stages of creation and use of information necessary for the use of human capital, establishing a parallel regarding the allocation of resources in the field of physical capital. Therefore, making the right decisions in stocktaking and human capital flows will contribute both to economic development and raising the standard of living, as well as to the responsibility of governments and individuals.

Key words: Human capital, physical capital, decisions, information flow, investment.

J.E.L. classification: A 19, D04, M29, M48.

1. Introduction

The continuously diversifying and moving market forces the requirement to rethink the allocation mechanisms that determine the production, dissemination and consumption of knowledge. As companies react differently to new technological and competitive forces, the clues we have tend to prove that the role of investment in human skills for their competitiveness is constantly increasing. Another proof of the change in the nature of the investment is provided by the increasing complementarity between physical and immaterial investment as high technology integrates them. Over time, rising unemployment and worsening fiscal pressures, as well as the public interest in this productivity paradox, have given rise to research and analysis of human capital and the labour market.

The imperative need to improve signals in order to allow efficient and effective choices in the labour market and within the entities allows a valid method of reviewing the mechanisms that inform and direct the investment directly into its knowledge and use. *Regarding these realities, it is imperative to rethink information systems and decision-making in human capital.* So we have structured this paper as follows: Section 1: Introduction, Section 2: Research Methodology, Section 3: Literature review, Section 4: Human capital and the content of the acquired knowledge, Section 5: Information flow - schematic exam in deciding on human capital, Section 6: Approaches addressing the decision on human capital and physical capital and the final section of the conclusions.

2. Research Methodology

Aspects related to information reflection and decision making in the field of human capital are extensively developed in the specialized scientific literature. In our paper we used theoretical information taken from books, articles and studies relevant to the field investigated, with which we synthesized them in order to analysis of the main decisions used in the allocation of human capital.

3. Literature review

It is also recognized in a way that does not imply mentioning the passage of the capital to the share of activity between the transition between the agricultural and the industrial economy, that the level of knowledge held by employees becomes visible in their total production capacity that increases in relation to raw materials, real estate capital or management knowledge (Chang et.al., 2016; Ienciu et.al., 2016; Dima and Man, 2013; Vyacheslav et. al., 2016). As some authors have pointed out, Pocas (2014) and Angelopoulos et Malley (2017), the presentation of the scientific and technological system has seen spectacular progress over the years, and it is noticed that the stock of knowledge doubles in a period of seven to ten years, which implies an annual growth rate of 7 to 10%, and the relative proportion of physical and intangible investment has changed considerably.

Even before these cyclical phenomena, which have been repeated since 2008, the OECD had reported in various publications and in the analysis of new technologies emerging over the years that the socio-technical nature of micro-economic exchange requires a sensitive transformation of the signals that govern investment in human capital. With the growing importance of knowledge in the field, carried out in OECD member countries, this is not yet taken into account for the quantification/measurement and establishment of human resource prices. It is almost unanimous to recognize the need to transform the challenges faced by companies that treat investment in human capital as assets capable of generating dividends over a prolonged period. In fact, individuals should consider investing in qualified training as a lifetime commitment in asset formation (Macris et al., 2011, Măcriş and Măcriş, 2010). Faced with budget constraints, unemployment, economic recession and instability, with an increasing demand for long-term investment in growth-enhancing infrastructures, governments are wondering how to invest in improving the efficiency of knowledge, dissemination and consumption (Măcriş and Man, 2012; Man and Măcriş, 2017).

4. Human capital and the content of the acquired knowledge

The analysts and economist researchers generally address such issues from a common sense observation, so that in order to be effective and efficient within and outside the context of the labour market, decision-making must be based on correct information. The quality of information requires, to determine with precision or to be evaluated with a high degree of reliability, the likely costs and benefits, in the short and long term. When investing (learning, for example) in acquiring knowledge, it is desired to know the value of the activity proposed by the training provider (e.g. the trainer). The following consequences are the investor, who provides knowledge to a person to apply them in production, wishes to reduce the risk if he does not have the necessary skills to produce for the market. Without proper information it is impossible to make optimal decisions for an investment. In a market economy, accounting and financial analysis systems specify "game rules" to determine, through increasing information, the effectiveness of the decision. But the information provided can't be entirely complete (Ciurea and Rakoş, 2016; Man and Măcriș, 2016). This factor, combined with market synchronies, explains that economists and policy-makers face difficulties, taking into account existing information, whether they are over or under investment, or whether human capital has been effectively used (Man and Măcriș, 2015). Integration of corporative governance into organisation's social responsibility system. On the other hand, if, in reality, investment rates appear to be in progress, we are not interested in the content and quality of the investments included in human capital. We need to know how these findings influence the decision-making processes. In other words, before discussing the percentages of return, the efficiency of the stages and/or the investment choices in the human capital, it is important to know what their purpose is. Measures or accounting for the investment logically precede the taking into

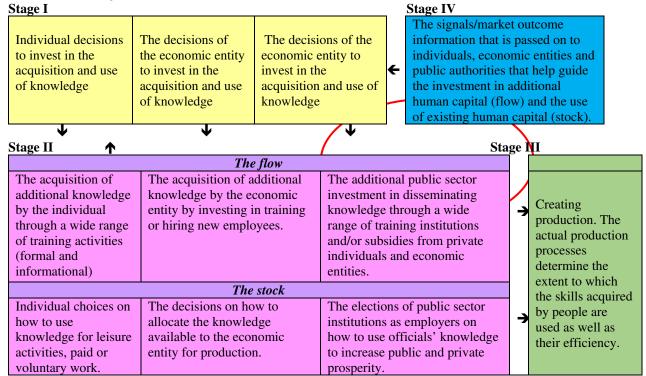
account of the period in which profits are recorded. From the methodological point of view, the analysis requires a preliminary examination of the means and objectives of the allocation, in order to know who needs information and for what purpose they will be used (Ciurea and Man, 2017). Therefore, a methodological criterion is more valuable for human capital than for the physical one, so that analyses have suggested policies likely to improve the available information to make choices regarding the acquisition and use of human capital.

5. Information flow - schematic exam in deciding on human capital

The richness and diversity of information and interactions that characterize decision-making in human capital is based on the express interpretation of Figures 1, 2 and 3 to be presented below. *Interpretation Figure 1 proposes* as an example *the historical incidence of introducing universal and compulsory school education that allows citizens to obtain the elementary level of literacy, computation and behaviour in the industrial/urban environment.* The reforms of the education and institutions in question, as far as industrial was substituted for agricultural and rural societies, helped to specify and formalize the signs that accompany each step described in this figure. The decisions of individuals, companies and public institutions have been significantly modified by introducing a new system for establishing and validating key competences. These signs have facilitated the changes that have occurred in the investment (flow) and job (stock) schemes of physical and human capital.

In the **first stage**, decisions are adopted by private individuals, societies, and public authorities. Production takes place in the **second stage** and uses the human capital acquired through training or employment (flow) and through existing knowledge (stock). These economic activities create real output in the **third stage** where the productive impact of knowledge materializes in goods or services. The **fourth stage** is where transactions (on and off the market) contain signals that validate or invalidate decisions taken in the first stage. The information circuit thus forms a closed circle and the decision making/sending of the signals restarts. The decision-making decision, when choosing an investment in employee training, illustrates how the circuit's functionality works. In the first stage, the management of an economic entity decides to invest in acquiring new skills by requiring employees to improve their training.

Figure no.1. The circuit that links the stock and the flow of knowledge of individuals, production and decision-making



Source: Adaptation by: Cheng et.el. 2016

Figure no.2. Indices to make a correct decision on physical capital

Decisions on:			Economic	Public powers -
		Individuals (housekeeping)	entities	producing services
			(Production)	or infrastructures
	The use of stock of	The productive capacity, in quantitative terms,		_
	the physical capital	cost of use and estimated yields	7	
	The acquisition of	The productive capacity in quantitative terms,		
	physical capital	purchase cost, usage and estimated yields	7	

Source: Adaptation by: R. Miller to the OECD, 1996

Figure no.3. Signals for decision making on human capital

Decisions on:	Individuals (knowledge/skills)	Companies (management and acquisition of skills)	Public powers (investment in human capital)
The use of human capital stock	The labour market clues: remuneration, job security, etc. Values and culture of work. Life cycle of work, arbitrage between work and leisure.	Hiring, accounting and staff management systems. Engineering studies and management practice, social relationships, stranded costs.	Investment strategies for general infrastructures. Technical and political debates on resource use, labour market planning.
Additional investment in the acquisition of human skills	The labour market signals: remuneration, job security, etc. Values and culture of work. Experience of work. Costs and benefits.	The costs and benefits of investment determined by the entity's internal strategy, human resources management policies, and public policies. Form or buy. Labour/Capital Complementarity. Company strategy.	The signals emanating from economic entities, private individuals and constituencies: comparisons with other jurisdictions, analytical studies.

Source: Adaptation by: Angelopoulos and Malley, 2017

This decision translates a fairly complex and risk-free calculation, starting from the information mentioned in the fourth stage about the marginal productive capacity that will result from the acquisition of new knowledge (or a new motivation) by the employee. The increase in productive capacity is compared with the various alternative costs starting from the hiring of the individual according to the assumed competencies, taking into account the fact that he still needs to improve them through appropriate courses and risks resulting from the cessation of production due to bankruptcy, redundancies or the departure of the employee. The degree of risk and complexity of taking this specific decision-making decision is influenced by the quality of the information system on human capital that has been put into practice. The quality of this system varies, obviously, from one society to another and from country to country. Once the investment was made in the second stage, through which a capital flow joined the stock, we enter the critical stage that occurs at work with reference to the skills acquired in production (Măcris, 2009, 2013; Miller, 1996). Applying a theory or skills in practice is an activity subject to difficulties as a result of the deterioration of the technical or psychological conditions of work due to poor communication between management and the staff employed. In the long run, the positive effects of improving staff skills translate into productivity gains. The result of this production product is on the market in the fourth stage, where the final verdict is presented in terms of the quantities sold and the prices that allow the calculation of the return on investment. It should also be borne in mind that there is within the economic entity, a system of sanctioning labour performance that does not appear on the market or through output.

The decision-making scheme outlined above indicates the steps of creating and using information necessary for the use of human capital, establishing a parallel in the allocation of resources in the field of physical capital. By subdividing the processes of creating and using signs, we can predict where obstacles meet when we employ and effectively use human capital.

6. Approaches addressing the decision on human capital and physical capital

In most of the OECD countries, there is currently a contrast between the diversity of decision signs/systems that influence the use and acquisition of human capital, and the homogeneous and transparent information used to invest in physical capital. This difference is schematically highlighted by the differences between Figures 2 and 3 which present the different types of information that individuals, economic entities and public powers face when making decisions.

In relation to the overall circuit described in Figure 1, the various cells in Figures 2 and 3 relate to the stage at which the decisions are taken (step 1) using the information derived from the transactions on the market and outside it (step 4). This then determines the actions considered as stock and flow of knowledge of individuals (stage 2).

Figure 2 shows the different types of signs (production estimate, costs or benefits) used by private individuals, economic entities and public authorities that refer to the use and purchase of a supplement to physical capital. At this level, the signals used are the same, whether we refer to shopping, to a job, to dishwashing or a new refinery. The intent in Figure 2 summarizes the common methodology, apart from techniques or institutions, used by individuals, economic entities and public authorities when deciding on the use of a material object or investment (for example, a plant or a motorway). The presentation of the decision on the use of physical assets or investment as a rigorous process of resource allocation has given rise to criticism, confirmed by the competent factor and daily experience. Figure 2 does not deny the existence of economic uncertainties, but insists that the institutions and techniques adopted to fix the investment in physical capital and use allow the use of a proven amount of compatible information and methods. The advantage of a decision-maker when it comes to investing in physical assets is that there are already valuation bodies and rules in the field of accounting, engineering and financial analysis. These generally correspond to accounting norms, making it possible to analyse the costs and calculate the current project values. In the field of accounting, the literature explains broadly the role played by the laws, regulations, conventions and professional norms in terms of the definitions and methods used. Between Figures 2 and 3, the differences lead to the quality of the existing information and method of decision making. In the vast majority of countries/industries, physical capital choices are transparent and compatible with the notion of inter-related costs/benefits of investing in human capital. As far as physical capital is concerned, the comparison between the current and the future benefits becomes possible due to the use of the discount percentage, when the cost measure takes into account the depreciation. In the case of human capital, it is difficult to assess the costs and benefits over a given period of time beyond the current accounting exercise.

Figure 3 gives us an approximate picture of the complexity of the real world, the diversity of signs and methods that characterize decision making on human capital. *Unlike the physical capital, which can be quantified and measured, there are differences in approach for the human being due to the available, diversified methods and information.* The economic difficulties that characterize all the choices about investing in "assets" become visible in the case of human capital, which is difficult to quantify due to the obvious complexity.

7. Conclusions

When the learning act turns into a "permanent" activity for an individual or for a company or economic entity, the decision on the allocation of human capital becomes complex. For a hiring employer or for a private person, schooling, it answers, at first instance, a simple decision. Putting into practice then becomes complex taking into account the multitude of possible choices and market incidence. Jobs are in constant change, which constantly changes human capital data. The stated factor reacts in turn to hiring and training decisions.

From this point of view, the distinction between the two main approaches to the decision is important. The first concerns the internal division into society and the existing competencies according to the tasks, the company being the one who decides the use of the human capital stock, if it is already or on the point of being recruited. The second approach is to allocate resources for the acquisition of productive skills. The decision to invest in a human capital flow is the corollary of a whole series of analyses of economic entities. *Insofar as continuing training - whether internal*

or external - becomes determined for competitiveness, it is increasingly difficult, but especially important, to make the right decisions in determining stocks and flows of human capital.

Allocations should generally be applied to a universe in which hypothetical is thought, the existence of perfect information and its rational use. In the real world, where these hypotheses do not exist, it is essential to check whether the information is produced, materialized, transmitted and treated in order to understand its usefulness. We already know from the practice of the past decades that it took many years to develop the conventions and institutions needed to assess and balance the value of physical capital. It is also worth noting the constant and appreciable effort made on human capital, the challenge of obtaining accuracy and transparency in the assessment of relative prices, an assessment of which depends on the efficiency of its allocation itself. It was found that in Romania, in order to achieve the objective of "investing in human capital", it is necessary to go through stages, not only conceptual, but also mentality - the citizens of the country, businessmen, parents, children, understanding that investment in education is the most an important objective for the future. In this sense, awareness of the value of human capital leads to economic development, raising the standard of living, thus becoming a global responsibility of all individuals and governments.

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What-If Analysis Tools in Excel

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Abstract

What-If Analysis tools are available in Excel and they can be used for a variety of purposes. This paper is concerned with their description, as well as a few examples of their applications in financial models. For this reason, two types of data tables are taken into account: one-variable data tables and two-variable data tables. We will look at how these can be structured in order to show us the effect that a loan could have on our yearly budget, by experimenting with different values for the interest rate and total number of payments. We will also employ the use of PMT and IPMT functions.

Key words: analysis, table, pmt, ipmt.

J.E.L. classification: C3

1. Introduction

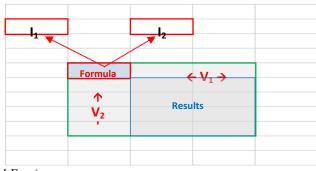
When a formula already exists, *Data Table*s help us see how it is affected by variables (in this case, we will use one or two variables). So, suppose that we have a formula in which one or two variables were included, or perhaps a larger number of formulas that have one variable in common. A *What-If Analysis Data Table* would make it easy for us to analyze a variety of possible outcomes, as they are all gathered in one place, in the form of a table, which is straightforward and readable. Moreover, data can be continuously updated. As long as the workbook enables automatic recalculations, the results will be updated as well.

2. Theoretical background. Generating a Data Table

Tables retrieve input data from rows and columns, use them in formulas and then display them in tabular form. The main idea behind their design is represented by defining a formula which is only written once, but applied multiple times. In order to create a two variables data table, you have to execute the following steps:

a. You apply the formula for two variables (l₁ and l₂), located in two cells (the row input cell and the column input cell respectively):

Figure no. 1. Screenshot



Source: (Weterings, Excel Easy)

- b. Fill in the input values, for which the same formula is applied, thus:
 - on the right of the formula, on the same row: input values V_1 of type I_1 ;
 - under the formula, on the same column: input values V_2 of type I_2 ;
- c. Select the cells which will make up the table (the selection begins with the formula and it includes input values V_1 and V_2);
- d. On the Data tab, click on What-If Analysis, option Data Table;
- e. In the Data Table window, fill in Row input cell and Column input cell the addresses of the input cells for rows and columns (they include values I_1 and I_2).

3. Data table basics

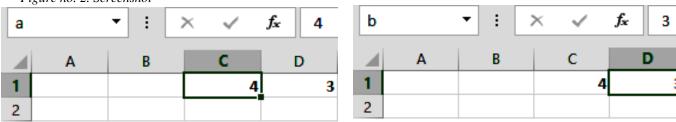
Create either one-variable or two-variable data tables, depending on the number of variables and formulas that you need to test.

Example: Calculate the expression a+2*b b for different values of a and b (Figures no. 2-6).

a) In two cells type the input values (for example **4** and **3**) and reference the input cells as **a** and **b**, respectively:

Figure no. 2. Screenshot

Source: (Cosma E., 2018)



b) In a different cell on the worksheet, enter the formula that refers to the two input cells, a, b (=a+2*b):

Figure no. 3. Screenshot

А3		•	÷)	×	~		f _x	=a+	2*b
4	Α		В			С		[)	E
1							4		3	
2										
3	10									

Source: (Cosma E., 2018)

c) Type one list of input values for a in the same row as the formula, to its right, in this case a(4, 2, 8), and the second list of input values for b in the same column, below the formula b(13,5, 12,5):

Figure no. 4. Screenshot

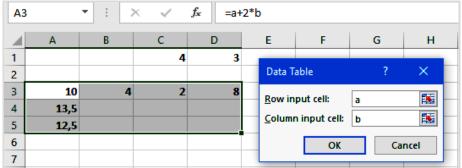
A3		▼ : [× <	f _x =a+	-2*b
4	Α	В	С	D	E
1			4	3	
2					
3	10	4	2	8	
4	13,5				
5	12,5				

Source: (Cosma E., 2018)

d) Select the range of cells that contains the formula, both the row and column of values (B3:D5 and A2:A5), and the cells in which you want the calculated values (A3:D5). On the Data tab, in the Data Tools group, click on What-If Analysis Data Table and complete the Dialog Box which appears, containing the Row input cell and Column

input cell boxes (\mathbf{a} – the row input cell, for values of type \mathbf{a} ; \mathbf{b} – the column input cell, for values of type \mathbf{b}). Click \mathbf{o} .

Figure no. 5. Screenshot



Source: (Cosma E., 2018)

e) The table displays the output values derived according to the formula – {=Table(C1;D1)}:

Figure no. 6. Screenshot

C4	_					
	Α	В	С	D	E	F
1			4	3		
2						
3	10	4	2	8		
4	13,5	31	29	35		
5	12,5	29	27	33		

Source: (Cosma E., 2018)

4. What-If Analysis for financial modeling

What-If Analysis has numerous applications in finance (for instance, **Rate** – Interest rate and **Nper** – Number of payments)

4.1. Two-variable data tables

In the following example we use a data table to vary the interest rate and term length that are used in a loan to determine possible monthly payment amounts (*Figures no. 7*).

Example: Suppose that we have a \$32,000 loan over a period of 5 years, with an annual interest rate of 10%. We would like to see how the values for monthly payments would change for different total numbers of payments (in this case, 3, 6, and 4 years) and for different values of the annual interest rate (keeping in mind that 11% is the maximum value).

Figure no. 7. Screenshot

B8	}	▼ : ×	√ f _x	=PMT(D5/12;D4	*12;D3)		
4	Α	В	С	D	E		
1	1 The payment for a loan based						
2		on constan	t payments and	a constant inter	est rate		
3	Amount o	f loan		\$32.500			
4	The total	number of p	5				
5	Annual in	terest rate		10%			
6							
7			The total nu	mber of payme	nts (years)		
8		-\$690,53	3	6	4		
9		8%	-\$1.018,43	-\$569,83	-\$793,42		
10	Annual	9%	-\$1.033,49	-\$585,83	-\$808,76		
11	interest	11%	-\$1.064,01	-\$618,61	-\$839,98		
12	rate	9,2%	-\$1.036,52	-\$589,06	-\$811,85		
13	rate	9,4%	-\$1.039,55	-\$592,30	-\$814,95		
14		9,6%	-\$1.042,59	-\$595,55	-\$818,05		

Source: (Microsoft, Excel - Office Support)

- Create a two-variable **Data Table** (as explained before);
- **D4** is the row input cell and **D5** is the column input cell;
- We will use the **PMT** function for the formula in cell **B8** type in the arguments of the function (=**PMT(D5/12;D4*12;D3**).

4.2. One-variable data tables

One-variable Data Tables are a particular case of two-variable Data Tables - explained before (*Figures no. 8 - 11*).

Example: Suppose that we have a \$32,000 loan over a period of 5 years, with an annual interest rate of 10%. We would like to see how the values for monthly payments would change for different values of the annual interest rate (keeping in mind that 11% is the maximum value). We will also calculate the interest payment for each case.

a) Create a spreadsheet similar to the one in the image below (cells **D3**, **D4**, **D5** contain data of numeric data types):

Figure no. 8. Screenshot

5010	Chanoi							
4	Α	В	С	D				
1	The payment for a loan based							
2		on constant pa	yments and a constant in	terest rate				
3	Amount o	f loan	\$32.500					
4	The total i	number of payn	nents (years)	5				
5	Annual in	terest rate		10%				
6								
7			Monthly payment	The interest payment				
8		Interest rate						
9		8%						
10		9%						
11		11%						
12		9,2%						
13		9,4%						
14		9,6%						

Source: (Cosma E., 2018)

b) In cells C8 and D8, write the desired formulas using the PMT and IPMT functions: =PMT(D5/12;D4*12;D3), =IPMT(D5/12;D4*12;D3):

Figure no.9. Screenshot

4	Α	В	С	D			
1	The payment for a loan based						
2		on constant pa	yments and a constant in	terest rate			
3	Amount o	f loan		\$32.500			
4	The total i	number of payn	nents (years)	5			
5	Annual in	terest rate		10%			
6							
7			Monthly payment	The interest payment			
8		Interest rate	-\$690,53	-\$5,71			
9		8%					
10		9%					
11		11%					
12		9,2%					
13		9,4%					
14		9,6%					

Source: (Cosma E., 2018)

c) Select the data table, the cells ranging from **B8:D14** (it contains the two cells in which the two formulas were typed and the interest rate column). We have only one input cell, on the column (**D5**):

Figure no. 10. Screenshot

	A	В	С	D	E	F	G	Н
1	The paym	ent for a loan ba	ased					
2		on constant payments and a constant interest rate						
3	Amount o	f loan		\$32.500				
4	The total	number of payn	nents (years)	5				
5	Annual in	terest rate		10%				
6								
7			Monthly payment	The interest payment				
8		Interest rate	-\$690,53	-\$5,71	р. т		2	
9		8%			Data Ta	ible	ſ	×
10		9%			Row ing	out cell:		1
11		11%			Column	input cell:	dS	1
12		9,2%						FESS!
						0.11	_	
13		9,4%				OK	Car	ncel

Source: (Cosma E., 2018)

d) Click The following values are displayed:

Figure no. 11. Screenshot

C1	1	- : ×	√ f _x	{=TABLE(;D5)}		
4	Α	В		С	D	
1	1 The payment for a loan based					
2		on constant pa	ıyments an	d a constant in	terest rate	
3	Amount o	f loan			\$32.500	
4	4 The total number of payments (years)					
5	Annual in	terest rate			10%	
6						
7			Month	ly payment	The interest payment	
8		Interest rate		-\$690,53	-\$5,71	
9		8%		-\$658,98	-\$4,36	
10		9%		-\$674,65	-\$5,02	
11		11%		-\$706,63	-\$6,42	
12		9,2%		-\$677,81	-\$5,16	
13		9,4%		-\$680,97	-\$5,29	
14		9,6%		-\$684,15	-\$5,43	

Source: (Cosma E., 2018)

5. Conclusions

By employing the use of *What-If Analysis* in *Excel*, it is possible to explore a variety of results, derived from distinctive sets of values included in one or more formulas. A real-life financial situation in which *What-If Analysis* would prove useful is when you want to create two different budgets, each of them based on a different level of revenue. You could try another approach as well: perhaps you already have a resulting value, and you would like to know which input values would lead to that result. *Excel* is endowed for a wide range of purposes, depending on what you are looking to achieve.

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Considerations on Planning Internal Public Audit – Risks Arising from the Use of Technological Tools and Legislative Changes

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Abstract

The planning of the public internal audit activity includes audit missions on the activities of the public entity as well as on the activities carried out within the subordinated public entities under the coordination or under its authority. In order to ensure the compliance with the applicable legislation, the planning of the public internal audit activity should include missions regarding the information systems and during the internal audit engagements, it will be assessed whether information technology supports the entity's strategies and objectives.

The usage of information technologies within a public entity includes the selection of solutions designed to the activities which are carried out (mobile devices, Cloud technologies, software applications). Effective use of these products through the usage of all the functionalities available and relevant to the entity improves the activities of all structures, including internal audit work.

Key words: public internal audit, mobile devices, Cloud technologies, software applications. **J.E.L. classification:** H83, M42, O32

1. Introduction

Planning the activities which are carried out within the organizations are fulfilled in the short, medium and long term. The internal audit activity is planned according to the Standards 2010 - Planning (The Institute of Internal Auditors, 2017), which requires the head of the internal audit department to establish a Multi-annual / Annual plan of activities based on risk analysis. Within the framework of the internal public audit structure, the planning activity is carried out by developing the documents of the Multiannual Internal Audit Plan and the Annual Internal Audit Plan (Ministry of Public Finance, 2013), which is accomplished by selecting the objectives of the internal public audit activity.

2. Theoretical background

In accordance with the legislation in force, the elaboration of the Multiannual / Annual Internal Audit Plan should take into account the following substantiating elements:

- # the risk analysis based on the activities carried out within the public entity and those prescribed by law to be audited;
- deficiencies previously identified;
- major legislative changes;
- following the periodicity in auditing (at least once every 3 years);
- appropriate types of audit;
- the professional training provided by Law no. 672/2002 on public internal audit, republished (minimum 15 days);
- possible ad-hoc missions;
- counseling missions introduced as mandatory;
- ***** reporting and follow-up the recommendations.

The inherent risks may affect the achievement of the specific objectives of the public entity. In this context, it is mandatory that internal auditors should have proper knowledge for identifying, prioritizing and assessing risks (The Institute of Internal Auditors, 2017; The General Secretariat of the Government, 2018). Planning internal audit engagements requires extensive risk analysis. Activities identified with a potential high risk exposure will be included in the Multiannual /Annual Internal Audit Plan, so the auditors will be responsible for verifying the ongoing risk management and internal control measures implemented and designed to keep identified risks at acceptable levels.

The risk profile (Reding, K.F., 2013; Sobel, P.J., 2009) of information technology implementation increases with the emergence of new threats, new threats which are generated by the technological tools used in current activities of the company. In this context, entities address the risks of information technologies by using new risk analysis models/ patterns. This process will begin by identifying, assessing and managing the risks associated with each activity, in order to subsequently determine the risk mitigation measures and the level of responsibility.

The latest Public Sector Audit Report published by the Ministry of Public Finance concludes that during the year 2016, 11.725 internal audit missions were performed, of which 9.756 assurance missions. The insurance missions were allocated to the 8 areas provided by the current legislation: budget, financial-accounting, public procurement, human resources, IT, legal, European funds and special functions. Of the 9.756 missions of insurance, only 5% approached the IT field. Moreover, according to the Report, 62.436 recommendations were followed at the level of the main credit officers, out of which only 1.8% were form IT field.

Analyzing the data presented above, we consider mandatory to have a good understanding of the process of identifying risks related to information technologies and legislative changes when using the methodology of planning the public internal audit activity.

3. Methodology

The methodology for risk assessment of the activities carried out within the public entity which is used by the internal auditors in the planning process of their activities, it provides the elaboration of a Multi-annual audit plan lasting a period of three years. This audit plan is designed to determine whether key controls within the public entity work effectively.

The methodology used to design the plan includes the following:

- conducting interviews with key employees within the public entity's departments /services /offices:
- shaping a risk analysis model;
- developing the audit plan based on information gathered from the risk matrix.

4. Findings

To identify activities involving the use of information technologies/ major legislative changes and the related risks to include them in the Multi-annual /annual internal audit plan we have followed the steps described in the Methodology chapter.

4.1. Interviews with key employees

The first step to identify activities involving the use of information technologies is the key employee interviews for:

- identifying the organizational structure of the entity according to its activities;
- understanding the degree of involvement of the organization's management in the exercise of internal / managerial control activities;
- the assessment of potential risks that may affect the activity of the public entity.

The purpose of the interviews with the management is to identify the areas of activity that they consider to be affected by major risks, including those risks which are generated by the introduction of new information technologies, or where they are experiencing difficulties performance of service duties.

4.2. Risk analysis model for activities involving the use of information technologies

The risk analysis (Ministry of Public Finance, 2002) is done by elaborating two working papers:

- ♣ Worksheet no.1 Identification of the processes / activities / structures / programs carried out within the entity and the related risks;
- Worksheet no.2 Determination of the total score of the risks and their hierarchy),

and it is completed by hierarchizing the main areas / activities of the public entity according to the associated risk.

The main elements of risk (materiality, exposure to losses, control environment, complexity of operations, quality of management, integrity of the data processing environment, the last audit period, the results of the last audit, legislative impact) are established in order to obtain a score of the risk associated with each activity carried out at the level of the public entity.

4.2.1. Risk analysis model for activities which involve the use of information technologies

Analyzing the computerized environment of public entities from the point of view of internal audit, the top three most relevant types of technologies have been identified in terms of usability. In this context, we consider it important to include in the planning of internal audit missions the activities involving use:

- mobile devices;
- Cloud technologies;
- dedicated software applications.

4.2.1.1. Mobile devices (laptop, tablet, phone) are widely used and it allows employees to access and share information from anywhere, at any time. Increasing the capacity of mobile devices and adapting them to the needs of employees, these devices have been transformed from simple ways of communicating into an integral part of how people perform their tasks.

The main risks that can be generated by the use of mobile devices are:

- the loss or leak of important information;
- device security vulnerabilities, operating system, or anti-virus limitations;
- theft / loss of the device;
- **using the device both professionally and personally.**

Internal audit should include at least one privacy policy assessment, mobile configuration and device configuration settings checking, event management practices for lost / stolen devices, or mobile device vulnerabilities generated by accessing a communications network.

The public entity's strategy regarding the usage of mobile devices must be known throughout the entire organization. Internal auditors support the public entity in achieving its objectives, including through support to audited structures in the identification and management of key risk hazards. However, it is noted that the strategy of public entities on mobile devices has to evolve, and the implication of internal auditing in this area can add value to the organization.

4.2.1.2. Organizations have started to use **Cloud technologies** because it noticed more and more advantages such as: increasing the efficiency of IT products, reducing operating costs, providing operational flexibility and generating a competitive edge.

The main risks that the usage of Cloud technologies may generate are:

- ♣ a generic version of applications because most of the users are experiencing challenges
 when it comes about the implementation and usage;
- the continuous development of Cloud technologies generates the risk that the entity system will no longer work according to supplier's product;
- ♣ legality and national regulations on how information is handled in the Cloud;
- information security (privacy, integrity and access to data).

The strategy of the public entity needs to be redefined according to the usage of Cloud technologies. In this context, internal auditors assess whether policies have been well developed and proper internal controls were implemented and aligned with the general objectives of the public entity. It will also assess the organization's preparedness level for implementing Cloud technologies.

The internal audit engagement may include assessing information security practices and procedures, contract clauses, and internal security measures that it have been taken in order to protect public entity data or secure authentication protocols for users working in the Cloud.

4.2.1.3. Software applications dedicated to some activities are also implemented within public entities. Most public entities chose to purchase dedicated software to deliver the expected benefits, to the detriment of internally developed software.

The public entities have increased significantly their investments in the training and retraining courses offered to their employees to improve their knowledge and capabilities in the use of programs. Choosing a dedicated software application typically has three basic features:

- maturity of the program;
- program execution;
- market competitiveness.

The installation of dedicated software applications may generate the main risks as following:

- high risk activities that it can't be prioritized to provide management with confirmation that they have been independently verified;
- the governance processes implemented partly ensure alignment with the company strategy;
- the implemented processes and controls are not optimized to use available technology;
- ♣ lack of documented control flow for implementation of the application;
- the benefits obtained with the implementation of the application are partly in line with the planned/ expected benefits.

The efficiency of the internal audit is found in confirming that the installed application manages the processes in the entity properly and the procedures and controls are properly implemented.

4.3. Risk analysis model for major legislative changes

As far as the changes to the 2018 legislative framework are concerned, the internal auditors showed a real interest in the General Data Protection Regulation (GDPR) legislation, which entered into force on 25 May 2018. In electronic or paper form, data protection has also become an element essentially within any organization. In the case of public entities, the processes / activities / actions on which the GDPR has its effect need to be included in the Multiannual / Annual Internal Audit Plan.

The main risks that can be analyzed with the GDPR implementation audit are:

- the lack of a person in charge of the privacy policy within the entity (compliance /security team or data protection officer);
- the lack of a system or operational procedure regarding the confidentiality of data within the system of internal managerial control;
- the procedure was not broadcast or the access for employees and third parties was not provided;
- ♣ partial identification of activities involving the processing of personal data;
- failure to implement the process of identifying and managing information security incidents (the lack of an information security management system that includes privacy of personal data).

5. Conclusions

The internal audit department is uniquely positioned to the other structures of a company to help stimulate organization development and create value by reviewing activities. Spencer Pickett (2012) believes that the purpose of internal audit is to support the organization's management because it is interacting with increasingly complex systems that are evolving in a very short time.

Concentrating internal audit on risk management activities in areas with the highest impact can improve the image of internal audit within the organization and can benefit from increased management confidence.

High risk areas are constantly changing and developing, but internal auditors usually focusing on *information technologies* and the *legal framework* for doing business.

Improving activities by properly managing the risks of information technologies/ legal framework can create added value. The information technologies used in public entities are constantly developing and offer the expected benefits in some areas. Moreover, with the widespread use of information technologies presented above, new opportunities can also emerge for the development of integrated audits.

The public internal audit activity has gained, in the last few years, a special consideration from the management of the organizations, by increasing the level of trust generated by risk reporting to stakeholders. Technological progress can streamline most of the work done within a public entity, including internal audit work, if a pertinent risk analysis is carried out. Identifying types of ideal technologies that fit for the entire public entity would create an opportunity for the convergence of solutions.

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Congenital Anomaly in the Structure of Stillbirth and Deaths of Newborn Children in Chisinau: Epidemiological Study

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Abstract

The frequency, structure and dynamics of congenital malformations in stillborn and deceased newborn children were studied at the level of the territorial medical association Rishcani, Chisinau municipality for 2013–17. The dependence of the congenital anomaly frequency on demographic indicators and the presence of risk factors are characterized.

The study allowed us to establish that the largest percentage of CAs are isolated, that CAs is more common in mothers aged 18 to 30 years old who live in rural areas, during repeated births, in full-term newborns, in girls, and in women who had harmful habits (smoking) or taking medications. In the structure of the CDF, the CAs of the heart, face and central nervous system occupy the leading place.

Key words: congenital malformations, congenital anomaly, newborn, stillbirth, perinatal mortality **J.E.L. classification:** I15

1. Introduction

Congenital anomalies are also known as congenital malformations, birth defects or congenital disorders. According to the WHO definition, congenital anomalies (CAs) are can be defined as structural or functional defects that occur during fetal development and can be detected before birth, during birth, or in later life stages (WHO, 2016)

Congenital malformations today represent an actual problem of modern medicine, given their frequency, high mortality rate, and psycho-emotional stress on the family and society as a whole, in which such children are born.

Formation of malformations is determined by a complex of exogenous and endogenous factors, which is of interest to this problem among pediatricians, geneticists, epidemiologists, obstetricians and gynecologists, ecologists and other specialists.

The relevance of CA epidemiological studies is associated with an increase in their specific percentage of infant mortality, infant morbidity and disability, and the use of population-based learning materials to identify the causes and conditions that make up this pathology in a particular area. It should be noted that WHO experts claim that preventive measures can reduce the SA level by 10% in neonates, even in developing countries.

The purpose of this study was to study the structure of mortality and birth factors of children with congenital malformations in the Rishcani Medical Territorial Association in Chisinau for a period of five years (20013-2017), for to provide public health authorities the information's for developing plans of further research and scientifically based preventive measures.

2. Theoretical background

Congenital malformations of the fetus (CDF) - one of the most dangerous complications of pregnancy. According to EUROCAT data, the proportion of congenital and hereditary pathologies in the structure of morbidity and mortality in newborns and young children in the late XX - early XXI century is steadily increasing (Loane M. Et al., 2011, p.31).

According to the long-term observation, more than 5.5% of children with CAs are born in the world. This indicator varies, depending on the country, from 2.7% to 16.3% (Corsello G. et al., 2012, WHO, 2016). About 7.9 million children are born annually with CAs, which is 6% of all births worldwide (Chanaku D. et al., 2014, p. 2, Kaur A. et al., 2010. p.1). Congenital anomalies [malformations] occur in 3-5% of newborns in live (Brent RL., 2004, p.961) and 20-30% of stillborn newborns (Ahmed AM et al., 2011, p. 907, Serra-Juhe C, 2012, page 6). The dependence between the prevalence of congenital anomalies with race, ethnicity and geographical region was identified ((Brent RL. 2004. p.957., Kaur A. et al. 2010 p.1, Bailey LB. et al.2005, p.1213, Prajapati V. et al., 2015. p.30).

Congenital anomalies (CAs) occue the second place in the causes of infant mortality. Mortality among newborns from CAs is about 30%. In absolute figures, the annual more than 270 thousand children die before the age of 28 days of life (Brent RL., 2004, p.963). Studies conducted in different countries have shown that 25-30% of all perinatal losses are due to anatomical organ defects (WHO, 2016). Even in countries with a high level of medical care and with a low infant mortality rate (6.7–8.5%), congenital malformations and hereditary diseases rank first in the structure of infant mortality. However this situation is not due to a real increase in their frequency, but due to a decrease in mortality from another disease.

In the structure of perinatal mortality, congenital malformations in term infants occupy the first place. 30-50% of infant mortality in the postneonatal period is due to congenital malformations (WHO, 2016)

About 10% of conceptions in the human population are accompanied by congenital abnormalities of the fetus. Approximately 0.5% of cases are chromosomal diseases, 0.7% are molecular pathologies, 1.8% are hereditary polygenic diseases, and about 7% are hereditary predispositions. During habitual miscarriages, chromosomal abnormalities occur in 6–12%, with late abortions in 0.5–1% of cases (Opitz J.M., 2002, p. 204).

It is worth mentioning that a child with congenital malformations can be born absolutely in any family - young, healthy, with no bad habits, with a normal pregnancy.

The causes of congenital malformations are different. This pathology can be caused by both hereditary factors (genes, chromosomal, genomic and zygotic mutations). In other cases, the source of the problem are various harmful factors: unfavorable environmental and occupational factors, infections, frequent use of alcohol, drugs (Sun G. et al. 2011, p.333, Kaur A. et al., 2010. p.1). Most congenital malformations cannot be explained by any one genetic cause or one environmental factor. It is assumed that they are the result of either the interaction of many genes (polygenic causality), or the joint action of genes and environmental factors (polyfactorial causality) (Butt F. et al., 2013, p. 234, Basso O et al., 1999, p. 604).

At the same time, there are reserves to reduce the mortality rate of newborns with this pathology through the introduction of organizational measures. It is known that 40-50% of children with developmental abnormalities can be saved life with timely diagnosis and surgical correction of a birth defect in the fetus and newborn baby in the first hours of life (HG RM, Nr. 988 of 06.12.2013).

The spread of congenital malformations in the Republic of Moldova ranks second in the structure of infant mortality and is characterized by a stable level. In the period from 2004 to 2014, there was a significant increase in the number of malformations caused by chromosomal aberrations and cardiovascular system, with an average annual rate of 0.1 and 0.5%, respectively (Buta G. et al.2017, p.129).

Thus, congenital malformations are one of the serious problems not only of health care, but also of the state as a whole, since their treatment, as well as the high level of disability of children, require huge material costs. At the same time, up to 80% of serious birth defects lead to the death of a child in infancy, without justifying society's expenses for treatment and care, and rehabilitation

assistance for the survival of a sick child may not fully ensure the quality of his health for full integration into society.

The lack of trends to reduce the overall frequency of congenital anomalies, despite preventive measures, noted M. Loane et al. (Loane M. Et al.,2011, p.42) According to the authors, the introduction of new knowledge into the practice regarding the causes and mechanisms of the development of defects may in the future change this situation.

Evidence-based information on specific risk factors for CA development is very important for decision-makers in the field of public health surveillance to develop strategic plans for primary prevention, recovery environmental factors, health promotion and education for health, especially for women of reproductive age.

3. Methodology

To carry out this work, we carried out an epidemiological investigation of emergency notices for a child with congenital malformations in the Rishcani district of Chisinau municipality. The following materials were used for the study: "Notification for a child with congenital malformations" (form No. 025-11 / e-98), protocols of autopsy (form No. 013 / e), observation cards of pregnant women (form 111 / e) and data of the number of newborns contained in the open database of the National Agency for Public Health.

The study period was 5 years: from 2013 to 2017.

All cases of congenital malformations among live-born and stillborn children weighing more than 500 g and 22 weeks gestation were analyzed. Earlier death of fetuses, as well as prenatally identified cases of CDF in induced abortions, were not considered in this study.

The congenital defects, which, according to the International Classification of Diseases of the Tenth Revision, fall into the 17th grade "Congenital anomalies (malformations), deformities and chromosomal anomalies", were analyzed. Thus, information was obtained not only about the evidences of mandatory accounting, but also about other identified congenital malformations.

According to the literature, the observed fluctuations in the frequency of occurrence of CDF in different countries are due to the heterogeneity of this group, different approaches in diagnostics, different possibilities for detecting CAs, completeness of data collection, etc. In this connection, it is difficult to compare the obtained data with each other and with estimates from literature since a comparison must always be made with the confidence that the like is compared with the like. At the same time, according to EUROCAT, the total frequency of CAs should not be lower than 20 per 1000, otherwise, incomplete detection or underregistration of developmental defects takes place. In order to reduce the uncertainty about the completeness and quality of the information gathered in the epidemiological research, a registration form, designed as a questionnaire, was developed. The questionnaire contains 138 closed and open questions, structured in 9 sections, which provide the opportunity to identify risk factors for CAs.

Epidemiological investigation was conducted in a personal interview with the mother, when discharged from the maternity hospital, after a preliminary study of the data of the pregnancy observation card. The accuracy and quality of the information contained in the report was evaluated by the family doctor. In case of discrepancies, the mother was invited to the family doctor's center for clarification. The responsible researcher, when receiving the epidemiological investigation report from family doctor, also checked the quality of the form filling. It was also rechecked during data entry.

The data were coded and entered and analysed into Epi-Info version 3.5.1.

To determine the frequency of defects, the data on the total number of live and stillborn children in the studied population were used as a denominator. The frequency of CAs is calculated for 1000 births. The pattern of change in the indicators of general and specific frequencies of CAs by year is determined using regression analysis. The alignment of dynamic series was carried out by the method of least squares. The direction and strength of the relationship between phenomena is determined using the Pearson correlation coefficient. Significance level was considered at less than 0.05 p-value.

A total of 62 protocols of epidemiological questionnaires of stillborn and deceased newborn were analyzed.

4. Findings

In the past five years, mothers who received primary medical care in institutions of the territorial-medical association Rishcani, gave birth to 62 stillborn children, with a total of 84 congenital malformations.

The frequency of the CAs during the study period ranged from 0.52% to 0.92% and averaged $0.74 \pm 0.161\%$. The large fluctuations of the recorded variable do not make it possible to reliably determine the mortality trend by CAs. By sex, more than half (55.7%) of the losses with congenital anomalies were stillborn and newborn men, slightly less (44.3%) - women. According to the gestation period, 51.4% of cases are premature births and 48.6% are premature births. Regarding the order of birth of children, it should be noted that 32.9% were first, 46.3% second and 20.8% third and above (3+) in the account of children to their families.

It was found that the frequency of stillborn and deceased children in the neonatal period with CAs increases with the aging of the mother. Thus, 4% of children were born from mothers under the age of 18, 64% from mothers aged 18 to 30 years and 32% from mothers over 30 years of age.

It was important to analyze data on the socio-demographic and socio-economic conditions of families in which children with AS were born, since the literature referents on the role of relevant factors in the formation of this type of pathology.

The distribution the cases of CAs in relation to the mother's place of residence shows that most cases were recorded in the rural area (64%), compared to the urban areas (36%) (p<0.05). However, it should be noted that the anthropogenic pressure on the environment in rural areas is less pronounced compared to urban areas. This fact should be borne in mind when expanding subsequent studies to determine risk factors.

From the point of view of nuptiality, 93.5% of mothers of children are married. More than half of parents had a higher level of education (63.6% of mothers and 58.9% of fathers) and more than a third had specialized secondary education (36.4% of mothers and 41.3% of fathers).

The frequency of stillbirth and deaths of newborn children with CAs according to the occupation of parents has highlighted some important peculiarities, which require further study in the future to identify occupational exposure to risk factors, namely: most mothers are employed in state institutions, private or self-employed (89.7%), while most fathers (59.4%) are workers. 1.3% of mothers and 8.5% of fathers are involved in agriculture. Activity and exposure to risks of the 5% and 4% of mothers who have declared himself housewives and unemployed should be studied in more detail in the future. CAa cases were recorded at 47.8% in families with middle income, 37.2% - in low-income families and 15% - in high-income families. The recorded differences are statistically significant (p <0.001).

It cannot be denied that the lifestyle of mothers has a direct impact on the development and health of newborns. In this regard, the current study stresses the fact that 57.4% of women had bad habits: tobacco smoking (57.4%) and alcohol consumption (2.8%) during pregnancy. In addition, the frequency of passive smoking is also high - 17.9%.

Occupational exposure to chemical risk factors was reported by 32% mothers. To determine the spectrum of chemicals and physical factors of the occupational environment and to assess the intensity of their impact on the worker, in each case, the results of instrumental and laboratory studies conducted in the framework of occupational health will be used.

In the immediate period of conception, 17.6% of mothers consumed contraceptives, both in the form of pills and injections. In 7.1% cases, pregnancy was undesirable, and mothers took medication to get rid of the baby. It is regrettable that 3% of mothers, due to illiteracy, have taken various pills, including those of Chinese origin, for weight loss.

In 16% of cases, the parents themselves had congenital malformations that indicate the hereditary genesis of CAs.

In addition, the influence of adverse environmental factors of the Chisinau city is considered to be important. The nature of air pollution is determined by high concentrations of dust, carbon monoxide, nitrogen dioxide, formaldehyde. The number of residents of the Ishinau municipality is increasing every year at the expense of residents of various regions of the republic. Thus, a high population density contributes to an increase in the percentage of vehicles that pollute the

atmosphere with exhaust gas from petrochemical processing. According to literature data, all these substances have teratogenic properties.

An analysis of the anamnestic data revealed that the course of pregnancy and childbirth in mothers of stillborn and deceased newborns with CAs was accompanied by such pathological conditions as gestosis (45.9%), pre-eclampsia (16.8%), the risk of miscarriage (58.8%), acute respiratory viral infection in the first and second half (41.1%), polyhydramnios (14.7%), presence of chronic placental insufficiency (46.1%), chronic intrauterine hypoxia (61.5%) and intrauterine growth retardation fetus (15.4%) according to ultrasound, anemia (57.6%), exacerbated chronic pyelonephritis (23.0%), urogenital infection (55.7%), premature birth (22.9%), premature rupture of amniotic fluid (19.0%), stimulation of labor activity (41.3%), premature placental abruption (3.2%), green amniotic fluid (11.4%). It should be noted that in most cases (86.5%) there were various combinations of these symptoms.

As regards the supervision of pregnant women by the family doctor it is worth mentioning that 100% of the pregnant women were taken into visibility by the family doctor, examined according to the national protocol. Currently, mass triple ultrasound examinations are provided in terms of 10-14, 20-24, 30-34 weeks of gestation with determination of serum markers of blood in certain periods of pregnancy and medical genetic counseling for women with threatened fetal damage, with the necessary diagnostic manipulations according to indications. All pregnant women was taken the follic acid in the first 3 months of gestation and Sorbiferum. After ultrasonographic results, 32.6% pregnant were consulted by the geneticist.

In the structure of CAs in stillborn and deceased children in the neonatal period of isolated malformations are 69.3%, multiple malformations – 28.6%, chromosomal anomalies - 2.1%. Whereas, according to National Agency for Public Health, in the general structure of congenital pathology among newborns and fetuses, the leading ones were isolated 80.36%, multiple 11.18% and chromosomal 8.46% anomalies. The multiple developmental defects in each case were presented by congenital heart disease in combination with other congenital pathology.

70% of multiple malformations were observed in males. CAs of the urinary system and the osteo-articular system were more often registered in girls (86%). No significant difference was found in the ratio of born in term (51.4%) and premature babies (48.6%). The CAs of the gastrointestinal tract were more common in term births (70%, 60%, respectively), while the CAs of the central nervous system and the CAs of the osteo-joint system were found in prematurely born (80%; 100%, respectively).

We noted the effect of seasonality on perinatal losses. Thus, the peak of perinatal mortality occurred in the autumn-winter period (27.1-41.4%), which can be explained by the rise in respiratory viral infections that contribute to the reactivation of persistent infections in the gestational period.

An analysis of the anamnestic data revealed that the course of pregnancy and childbirth in mothers of stillborn and deceased newborns with CAs was accompanied by such pathological conditions as gestosis (45.9%), pre-eclampsia (16.8%), the risk of miscarriage (58.8%), acute respiratory viral infection in the first and second half (41.1%), polyhydramnios (14.7%), presence of chronic placental insufficiency (46.1%), chronic intrauterine hypoxia (61.5%) and intrauterine growth retardation fetus (15.4%) according to ultrasound, anemia (57.6%), exacerbated chronic pyelonephritis (23.0%), urogenital infection (55.7%), premature birth (22.9%), premature rupture of amniotic fluid (19.0%), stimulation of labor activity (41.3%), premature placental abruption (3.2%), green amniotic fluid (11.4%). It should be noted that in most cases (86.5%) there were various combinations of these symptoms.

5. Conclusions

Congenital malformations are a pressing public health problem not only at the national level, but also at the global level.

The development and implementation of programs for the prevention of congenital malformations is one of the main tasks of the health authorities and the state as a whole, since, according to WHO experts, they can help reduce their prevalence by 10%.

Knowledge of the specificity of the spread of malformations and risk factors is a prerequisite for

the development of adequate and effective preventive measures. In this regard, in-depth epidemiological studies are needed with monitoring of indicators included in international registries, as well as taking into account national circumstances.

Knowledge of the specificity of the spread of malformations and risk factors is a prerequisite for the development of adequate and effective preventive measures. In this regard, in-depth epidemiological studies are needed on monitoring indicators included in international registries, as well as taking into account national characteristics: national cuisine, natural conditions, national economy, etc.

In the structure of stillbirth and death of newborn with CAs in district Rishcani of Chisinau municipality, one third is associated with several developmental defects. Multiple malformations are a combination of congenital malformations and other congenital abnormalities.

Among the risk factors, in the first place is the history of motherhood in mothers (86.5% of cases), a combination of pathological symptoms in the gestational period, indicating infection.

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Consulting – A Business for Business

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Abstract

The emergence of information and communication technologies that have linked the world together have led to a global change of all aspects of life, people's way of life and not just material production. Types of economic activity have changed under the conditions of knowledge technology. They allow remote work, offering new opportunities to develop and use personal and knowledge assets. As a result, an institution that meets the needs of time grows and develops. The consulting activity increases the speed of economic decision-making, finds ways to adapt to the individual circumstances of each management technology of the economic agent and promotes the introduction of advanced technological solutions in the field of management.

The paper presents a study of consulting as an entrepreneurial entity, and its influence on the evolution of the entrepreneurial environment.

Key words: consulting, business, market evolution, intellectual capital

J.E.L. classification: O1, O3

1. Introduction

Currently, consultancy is the most important sphere of intellectual entrepreneurship. Because the essence of the consultation means applying a consultant's knowledge to a specific situation, a particular firm, or a process, and aiming at changing this situation, effective consultation is a transforming element in the new economy, as D. Bell writes (Bell, 1973).

As additional resources the client receives from consulting, there are listed experience, behavioral technique, and professional skills. However, in our opinion, this does not explain the spread of advice, which differs from consultations by narrow field specialists - medical or pedagogical consultations. In our opinion, in the consultancy activity, there is an increase in the intellectual capital of the organization in the common work of the client and the consultant.

These approaches present important aspects of consulting, but at the same time do not disclose all the features of the consultancy that are associated with the formation and development of a knowledge-based economy and the increased role of innovation in the competitiveness of economic agents. The analysis of the features of the current stage makes it possible to highlight the logical development of other advisory features not mentioned in the literature.

Nowadays consultancy can be represented as follows:

- 1) As an institution focusing on the current level of habits and standards of perception of advice;
- 2) As a business sector, a separate type of entrepreneurship on the market;
- 3) As a professional sphere with its own standards, criteria and qualification levels;
- 4) As a scientific-applicative field of activity, with its methodology and approaches;
- 5) As a type of occupation or specialized activity, requiring certain skills, competence and qualities of the individual.

The study aims at identifying and characterizing consultancy as an entrepreneurial entity, and its role in the development of the entrepreneurial environment.

2. Theoretical background

The importance of knowledge and information as a strategic resource has been reflected in the economic theories of the information economy. The idea of studying the values and the strategic use of information belongs to the Nobel Prize winners, Kenneth Arrow (1972) and J. Stigler (1982), on the basis of which a section of economic theory emerged as an "information economy", dealing with Information Market Asymmetry, Market Signaling, Lemon Market Theory - a market in which it is impossible to verify the purchase and maintenance of the quality of the market product, which is fully applicable to consultancy products.

Florida writes that modern production consists in the fact that "information and knowledge are processed by information and knowledge and, as a result, a new product is obtained: a material product or a way of doing business" (Florida, 1999).

The transformation of knowledge into an important economic resource is discussed in concepts that characterize the new stage of development as a "knowledge economy" or "knowledge-based economy". The term "knowledge-based economy" was put into circulation by Fritz Mahlup in 1962 (Mahlup, 1962). F. Mahlup first made quantitative assessments of the economic knowledge sector, establishing that for the period 1900-1959 there was an increase a significant share of the labor force involved in the knowledge economy, from 11% to 39%, and the product share of the knowledge industries in the US GDP in that year, estimated at 29%. These processes determine an important feature of modern society: technology development or technology. On the other hand, systems for accurately describing knowledge about the implementation of certain actions are developed as a chain of successive interdependent actions, the repetition of which leads to a clear result. This applies both to production processes and to the service sector and is gradually expanding to production and knowledge generation, which is specifically embedded in the explosive development of new sectors of the economy such as Infobusiness site. Infobusiness is the gaining of profit from the processes of production and realization of knowledge and information. Infobusiness continues the division of labor and the design of different types of information and intellectual activities in independent sectors, with its own production and knowledge transfer technologies. One of them is consulting.

3. The modern features of the consultancy

1) Intellectual capital - the main consulting resource

The system of intellectual capital elements evidenced by Brooking (Brooking, 1997) allows for a wider identification of the types of non-material capital of a consultant and client that a consultant can increase. Obtaining knowledge (learning) and mastering (acquiring user skills) requires considerable expenditure - financial, intellectual, time. However, they act not only as costs but also as investments in the creation of intellectual capital. The knowledge and experience of using it accumulates. Stored knowledge forms a multitude of links to newly acquired knowledge, creating new knowledge configurations.

Intellectual Capital in Consulting includes three types of capital:

- 1) The capital of explicit and implicit knowledge of consultants, relationships and ways of interaction that provide solutions to customer problems. Explicit knowledge are included in the consulting company's reports and databases. Implicit knowledge are individual skills, experience, and ability to establish a reliable interaction with customers.
- 2) the internal capital of the consulting company includes organizational structure, corporate culture, intangible assets patents, licenses, programs.
 - 3) external capital customer relations, trust, recommendations.

During the consultancy, the client receives new knowledge about process improvement and sales organization, business processes, personnel management and other issues, which he uses after the consultancy project is completed, which allows him to obtain additional profit.

2. Creativity and Innovation.

The necessity of creativity and innovation in consulting is explained by the fact that, although the consultants' knowledge is somewhat standardized, because there are standards for training in higher education institutions, individual business decisions are required in the consultancy, which requires creativity and encourages the development of managerial innovations.

In consultancy, knowledge and information are both a means and an object of work. With the help of knowledge and information, knowledge and information are processed and, as a result, a new product is obtained: a material product or a way of doing business. The consultant receives the necessary information about the firm, identifies the knowledge of the management and the employees of the firm, using for this purpose its own knowledge. Therefore, he determines what information and knowledge is needed to assess the situation; what "places" in the firm should analyze and what specific information should take, how to retrieve the information, what questions to ask. It then analyzes the information obtained by applying its own analytical skills as well as its explicit and implicit knowledge, including intuition, visions, experience, that is, a broad range of what can be included in the concept of "consultant knowledge". He decides on the direction in which the firm can act to achieve the desired result and achieve the goal set with the customer.

Innovation is due to the fact that, for many business events and situations, both standard solutions and innovative solutions are needed. At the same time, the role of innovative solutions will grow in the future as well as the role of imagination, inspiration, originality and initiative in the competition of ideas-based companies (Nordstrom, 2007). Consultancy for such firms should also be innovative and require the same qualities for consulting professionals.

In order for the actions developed to provide the desired result, the consultant has to create a technology through which the implementation of the found solution will give exactly the expected result, taking into account the knowledge of psychology and other aspects of communication with the client. Therefore, modern consultancy requires the ability to develop a knowledge-applying technology in the customer's company in the process of interaction with customers.

3. Knowledge technology

As part of the consulting activity, the technologies of application of the theoretical knowledge develop, which can then be used in other consultancy projects with the necessary correction.

Technology developed once and that has given a positive effect in one place can also be applied in another organization. Therefore, consultancy can develop technologies to solve typical problems and generally technology to succeed in solving typical business problems. The possibility of technologization of management solutions comes with the development of information technologies, various services, programs, technical facilities that allow the organic integration of these technical means in the technological consulting process.

However, it would be very simple if any problem could be solved with the help of technology, each time, in a typical way. Developing a knowledge-applying technology to solve a problem should help solve individual problems. The developed technology can contain the basic stages of solving the problem, the elements and methods of its technological solution, but with reference to the conditions of a particular organization; it may be modified in the light of the specific conditions. Thus, in spite of the possibility of creating technology to solve managerial problems, the consultant has to make a specific and therefore creative decision. Therefore, advice is a creative activity, a creation with an important element of innovation. This is the internal nature of the consultation.

4) Knowledge accumulation and transfer

Advice involves adopting individual solutions for each business based on knowledge that is somewhat standardized. During the consultation of the projects, the consultant assimilates new knowledge, including the theoretical ones, which he / she has to "implement" in a certain business, that is, in practice, the marketing of knowledge.

For this reason, consultation becomes one of the important "guides" for introducing theoretical knowledge into practice. Universities are no longer entitled to monopoly in producing knowledge (Fuller, 2003). One of these institutes of knowledge production and transfer is consulting.

Consultancy is a scientific-practical activity at the intersection of science and practice. It has to pursue trends constantly in different scientific fields, to gather information and knowledge, to integrate foreign experience and to be guided by modern management technologies. Such an approach allows the enrichment of the intellectual potential, the creation of demand in this field and, in general, the existence and development of the consulting services market.

During the consultancy activity, serious knowledge about companies, applied strategies, problems, solutions are accumulated as an important resource for informing the economy. This resource is important for theory and its development, but also for research purposes.

5) Interdisciplinary nature.

For consulting, economic and management knowledge is important; psychology of influence and sales psychology; legal knowledge; knowledge of information technology. The specificity of the consultancy is to consider not only the information about the firm and the economic nature of the problem, but also the psychological characteristics of the management, the collectivity in which changes need to be made.

6) Entrepreneurship.

Entrepreneurship, in the view of J. Schumpeter, is an initiative to create businesses that produce different innovations (Schumpeter, 1994). Characteristics of consultation is the presence of risks: the risks of a possible misunderstanding of the client, the risk of not wanting changes, the risk of psychological resistance. The task of consulting is to identify the client's business development opportunities in each given situation. Creativity and entrepreneurship are the necessary feature of consultancy, aim of the consulting is for adopting non-standard solutions for each business. As a result, future consultants, who do not usually train in universities, receive "standard knowledge", but their application has in fact an original, non-standard character. This contradiction is the most important feature of consultancy, contained in its essence, and should have the formula for solving.

In our opinion, such a formula to solve the internal contradiction of advice is training in the education process. Training is a specific form of education that differs from the standardized education system developed in the higher education system. It offers the possibility to apply the acquired knowledge in order to solve the individual problems and to organize and personalize the process of interaction, communication and decision-making within the company during a joint analysis of customer problems. Modern technologies allow courses and consultancy training in centers far removed from the homes of consultants.

4. Involvement of consulting in the development of the entrepreneurial environment

Searching for information is one of the important functions for economic agents whose main task is the production of goods and services. In the modern world, the amount of information, including the economic one, is growing at an accelerated pace. The specialization in identifying customer problems and finding and delivering a result with a significant impact in order to solve the problem accurately acts as a type of unified labor division within the enterprise, which has overtaken it and turned into a specialized market activity. The result of the consultation should be to increase the competitiveness of economic agents through the introduction of effective economic and managerial approaches and the professional development of managers and business specialists.

Other intellectual services have a similar origin. In the services market, consulting is one of the types of business services. Business services represent different types of infrastructure activities, respectively activities that provide conditions for the functioning of the material and non-material spheres of the national economy. These services ensure the formation and interaction of all elements of the infrastructure complex.

The consultancy service may refer to the secondary activities of economic agents (example, the development of a sales system for enterprises in the production area) and the main activity (improvement of the sales system for the enterprises in the sphere of circulation).

The range of issues that lead to the need for consultancy is diverse. These include:

- 1. Business crises. In our country, anti-crisis consultations emerged before other types of consultancy.
- 2. Restructuring organization and management, associated with expansion, change of ownership, diversification of the enterprise, change of strategy.
 - 3. Strengthen a competitive market position.
 - 4. Prevent or counteract the opportunistic behavior of employees and managers.

This opportunistic behavior of employees or management staff can lead to losses or even the risk of loss of ownership. Manifestations of opportunistic behavior are job cuts at the workplace, theft, kidnapping - the desire to take over the property - the threat of bankruptcy. All these cases of

critical situation, when the owner or the management cannot solve themselves because of the lack of experience and the internal resources for making the right decisions, are reasons for using the services of a consultant.

Biech presents the following reasons for consulting business management (Biech, 2007):

- 1. Need for expertise. Due to the fact that the skills and knowledge needed to ensure economic growth or to cope with any major changes in company activities can often not be obtained from permanent employees.
- 2. Lack of time. Employees of the firm, often having knowledge, do not have time to carry out new projects or studies.
- 3. Lack of experience. The company may not have qualified specialists, and consultants can do their role until recruited or trained permanent employees.
- 4. Objective opinion from the outside. External consultants can bring new knowledge and offer an impartial view of how to solve the problem.
- 5. New Ideas. Consultants bring ideas derived from their work in other companies and industries, new knowledge and successful solution models from multiple sources.
- 6. Speed and efficiency. Consultants with experience in implementing the company's projects in the past can be a faster and more effective way to solve the problem than making a decision with their own strengths.
- 7. Assessment of the situation. The Consultant can provide an objective assessment of the situation, identify the problem, and provide recommendations for resolving it.
- 8. Independence. In case of contradictory situations and when there is a need to reconcile the interests of different parties (eg in mergers or acquisitions, in the reorganization of the firm), the consultant can act as an independent intermediary in settling the contradictions.

5. Conclusions

In conclusion, in the modern society, the consulting plays a much larger and more complex role than in the earlier stages of social evolution. This form of business is a natural product of the development of the social division of labor, as an activity specialized in the application of specialized knowledge, in order to solve the economic problems of the economic agents. However, its content and role in the knowledge economy are changing significantly compared to earlier periods.

Under modern conditions, consultancy becomes an important institution of the market economy and, in particular, these features of consulting such as innovation, work for results, creativity will allow consultancy to become an important sphere of society and the most important branch of the business.

The evolving nature of the use of consulting services by companies present in the market will simultaneously lead to a change of companies in their own, as they will increasingly resort to the services of specialized consultancy firms. Thus, in our opinion, today's consultancy begins to intertwine with the subject matter of the companies specialized in management functions. For example, training of staff, developing a marketing program for the company, staff training- all are part of the consultancy firm's activities, as well as: developing a strategy for the company's development; the development of the procurement sector; developing a management system, etc. As a result, the traditional limits of consultancy are expanding.

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The Impact of Public Governance on Corruption

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Abstract

The study highlights the issue of public governance in relation to the level of corruption for the member states of the European Union during 2006-2016. The approaches taken during the work concern both the theoretical and practical side of the good practices of public governance and their impact on the occurrence of corruption. The variability in public governance is measured by the efficiency of governance, the quality of regulation and the rule of law, and for the corruption variable, we have used the perception of corruption index. The statistical technique used is the Pearson correlation, which measures the degree of linear association between the two variables. The results demonstrate the direct relationship between the regressor and the target variable for the analyzed period, a high level of good governance leads to a low level of corruption.

Key words: public governance, corruption, European Union

J.E.L. classification: C32, D73, K42

1. Introduction

Public governance, its effectiveness and its impact on corruption are undergoing a careful examination of many researchers in the literature. Investigating the literature on the factors that determine the phenomenon of corruption led us to the conclusion that they are: fiscal pressure, public governance, the standard of living, fiscal morality and socio-cultural factors.

This study aims to analyze the quality of public governance in relation to corruption for the 28 member countries of the European Union between the period 2006-2016.

The hypothesis of this study is to demonstrate the direct relationship between institutional good governance and corruption in the European Union countries for a period of 10 years. The database used was obtained from open sources. In order to express the quality of public governance, we considered three descriptors (governance efficiency, quality of regulation and rule of law) data being collected from the World Bank website. As these elements of public governance present big values, the citizens' trust in the state is greater. To assess the level of corruption, we used Transparency International's perception of corruption, a small score of this index being associated with widespread corruption. Intuitively, we can assert that the poor quality of state institutions and excessive bureaucracy create a lot of incentives for citizens to engage in corruption activities.

In order to accomplish the empirical part of the paper we used the descriptive models, correlation coefficients, regression analysis and statistical tests for the verification of the results, the data processing is carried out using the SPSS statistical program.

2. Theoretical background

Public governance represents the ability of governments to effectively formulate sustainable and sustainable policies to ensure citizens and the state that its institutions promote economic and social interaction in their turn.

The accession process of the European countries to the European Union highlighted the issue of the importance of good practice from the point of view of public governance. Thus, the key element for a state to be accepted in the community is to represent its high degree of compliance with the required accession provisions. In most cases, Candidate Countries have developed national projects and campaigns that have focused on developing public governance and adopting good practice in various areas of public interest. In the past several former communist states have joined the European Union, and therefore the need for massive restructuring in their administration has been identified, and good community practices have become essential. According to the recommendations of the European Commission and in line with the best practices in the Member States with tradition, it has been observed that when the number of institutions involved in different levels of governance is lower, their quality and efficiency are higher. The interest in aligning national public governance structures with the Community acquis remains a priority for most Member States.

Further, to describe the various dimensions of governance quality, the authors employed the framework proposed by Kaufman et al. (2010) as reported by the World Bank's Worldwide Governance Indicators (WGI). The WGI data represented proxies for the various dimensions of governance quality and were computed in accordance with the updated methodology of Kaufman et al. (2010).

Thus, the next six variables referred to the following concepts: (a) government effectiveness; (b) regulatory quality; (c) the rule of law; (d) voice and accountability; (e) political stability and the absence of violence/terrorism; and (f) the control of corruption. The first two variables listed above could be regarded as directly reflective of the quality of a nation's policies.

The six indicators were used in the literature, which identified public governance as an important cause of corruption. A high level of trust in public institutions represents the guarantor that the state has a good functioning. Institutional quality of a state determines that citizens have greater confidence in the state and therefore will be less interested in cheating. Corruption and trust in the state are two important determinants to quantify the quality of public governance (Kirchler, 2007).

Lobonţ at.al (2010) highlighted the fact that measures to combat corruption are not limited to legislative, they have implications at both the institutional and policy levels, and we can talk about a correlation of the various legislative and institutional measures at sectoral level.

Governments have a discretionary power in terms of resource allocation at the level of society as a whole, and therefore in states where citizens have a high trust in public institutions while registering a lower level of corruption (Torgler and Schneider, 2007). On the opposite side, it has been observed that an institutional degree of quality determines a trust in government, which favors the identification of ways to circumvent the law. In 2009, a study by Dreher for a sample of 18 OECD countries highlighted that improving efficiency and institutional quality significantly reduced the level of corruption in those states.

Djankov at.al (2002) highlighted in a survey of a sample of 85 countries that when the level costs for entrepreneurial development is very high, entrepreneurs tend to bypass the regulations of the law, thus increasing the level of corruption. All of these studies show that the weakness of institutions and bureaucracy creates a lot of incentives to pay mitts in order to avoid taxes and thus corruption activities record an expansion.

3. Methodology

In this study, we ask to analyze the relationship between public governance and corruption based on data available for the 28 member countries of the European Union for the period 2006-2016. From the study, we have not excluded the UK, although this country is no longer part of the European Union in the context of the Maastricht Treaty at the time of this study.

In view of the modeling of the econometric relationship between public governance and corruption, we used the following indicators.

i) for the independent variable, we used the data provided by the World Bank, and in order to improve the quality of public governance, we will use only three dimensions: governance efficiency (GE), quality of regulation (QR) and the rule of law (RL). As a country has a higher

position in the WGI ranking, the higher the level of quality of public governance.

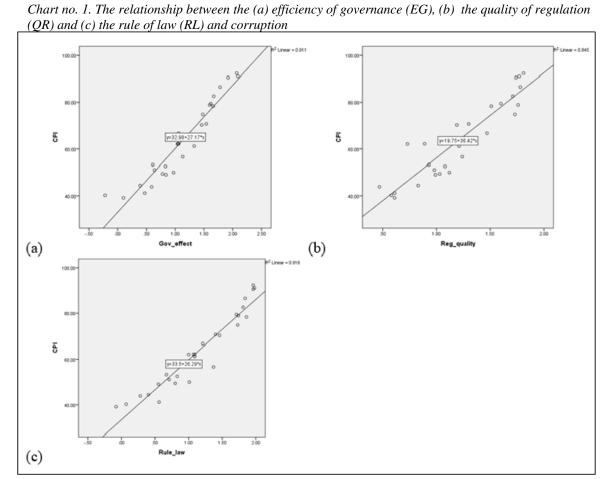
ii) for the dependent variable, we used Transparency International data on the corruption perception index (CPI). As a country has a higher position in the CPI ranking, the lower the level of corruption.

Statistical data will be processed using the SPSS statistical program.

4. Findings

Most empirical studies (Kirchler, 2007; Torgler and Schneider, 2007) identify a negative or inverse correlation when the level of public governance is high, the level of corruption decreases. The strong positive correlation obtained in this study is explained by the values of the data used. The components of the independent variable are calculated and reported on a scale from -2.5 the weakest to +2.5 the strongest performance of governance. For the dependency variable, the corrupt perception index is standardized to a 0 and maximum 100 scoring scale, where 0 is the highest score of corruption perception, while 100 is the lowest level of corruption perception. Therefore, if the level of the public governance indicator increases and the level of the corruption perception index increases, it means that, given the improvement of trust in state institutions, there is a decline in the phenomenon of corruption.

From the chart below we can see a rather positive correlation between the components of public governance and corruption: (a) between efficiency of governance (EG) and corruption we observe an R^2 =0.911, (b) between the quality of regulations (QR) and corruption we observe R^2 =0.845, and between the rule of law (RL) and corruption we observe an R^2 =0.916. This means that more than 90% of the variation in corruption can be explained by the variation in the level of public governance among the sampled countries for the period under review.



Source: own processing

Table no. 1. Regression of corruption on the basis of the effectiveness of governance (EG)

Mode	el	Unstandardize	d Coefficients	Standardized Coefficients	t	Sig.
		В	Std. Error	Beta		
1	(Constant)	32.984	2.112		15.616	.000
1	Gov_effect	27.174	1.668	.954	16.294	.000

a) dependency variable: Corruption (CPI)

Source: own processing

Table no. 2. Regression of corruption on the basis of the quality of regulation (QR)

Mode	el	Unstandardize	ed Coefficients	Standardized Coefficients	t	Sig.
		В	Std. Error	Beta		
1	(Constant)	19.749	3.892		5.074	.000
1	Reg_qualty	36.424	3.055	.919	11.921	.000

a) dependency variable: Corruption (CPI)

Source: own processing

Table no. 3. Regression of corruption on the basis of the rule of law (RL)

Mode	el	Unstandardize	ed Coefficients	Standardized Coefficients	t	Sig.
		В	Std. Error	Beta		
1	(Constant)	33.495	2.019		16.588	.000
1	Rule_law	26.287	1.562	.957	16.829	.000

a) dependency variable: Corruption (CPI)

Source: own processing

As a result of the tests carried out, we observed that the three components of the public governance surveyed directly influence corruption, and the regression coefficients are significant at a significance threshold of 1%. The greatest influence on corruption has the variable on the quality of regulation, so if this component of the public governance increases with a unit, the value of corruption perception index increases about 36 units.

The interpretation of regression coefficients, as well as the coefficient of determination can give us indications about the power with which the independent variables influence the dependent variable.

5. Conclusions

The quality of institutions, regulations and the rule of law are the determining factors for corruption. The results of the study highlight a strong relationship between the elements of good governance and the existence of corruption activities.

Following the above study, the working hypothesis has been demonstrated. As governance is more efficient, regulations are clearer and the rule of law is not altered by disruptive factors, there have been little preoccupation with law enforcement, and corruption at a low level.

A poor publicity governance also reflects on the low living standards of the population. Therefore it is important that policymakers know the causes of corruption in order to act more effectively in the fight for reducing economic and financial criminality.

The present study is indicative and presents some limits because it has been used to establish the relationship between the components of public governance and corruption, the averages of the two

variables. We consider that an analysis of panel-type data using time and space-type series or the use of multiple control variables would better outline the direct or indirect link of public governance to corruption.

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The Principle of Difference and Automatic Stabilizers in Social Justice

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Abstract

The paper presents some theoretical arguments regarding the issue of inequalities between individuals, inequalities which inevitably appear in the structure of any society and which can be analyzed on the base of a principle known and widely debated in the literature, the principle of difference and attenuated / solved by implementing automatic stabilizers in the area of control of the application of social justice.

Thus, from the perspective of the author and the theme of the paper, the concepts of social justice with its two categories of commutative justice and distributive justice, elements of the theory of justice as equity, the Rawlsian concept of the principle of difference, the concept of automatic stabilizer in social justice.

We consider that the design of an automatic stabilizer in the field of social justice and especially in the sphere of social distribution justice brings with it the desirability of avoiding the influence of the political factor in the decision to adjust the mechanism of distribution of the economic product of society.

Key words: social justice, distributive justice, principle of difference, automatic stabilizer, equality **J.E.L. classification:** B41, O35, Z13

1. Introduction

Inequalities between individuals that exist in the structure of any society are permitted in accordance with the theory of justice as fairness (Rawls, 2011) when they improve the situation of everyone and maximize the expectations of the less favored group in society. A right society, according to the same author, is a society in which the primary social assets and resources are distributed according to two principles of distribution: 1) each person has a right equal to the widest range of equal fundamental liberties corresponding to a similar range of freedom for others; 2) social and economic inequalities are accepted if: a) they are to the benefit of all (the principle of fair equality of opportunity); b) offers benefits to disadvantaged members of society (the principle of difference). We believe that inequality management mechanisms belong to the field of social justice, a concept that we will continue to outline.

2. Theoretical background

The concept of *social justice* refers to the procedure (the algorithm) underlying the distribution of the economic product of the society and the basis of the social reward of individuals. The distribution of the society's economic product involves allocating the gross domestic product to individuals (not to groups of individuals), using the key to allocating the contribution to obtaining it. Social rewarding of individuals refers to the redistribution of part of the economic product of the society from the primary recipients of the distribution to individuals (not groups of individuals) who deserve from the perspective of the public good that they could not concretize for reasons beyond their control. Social justice is thus either the outcome, or the process (mechanism, procedure, institution, etc.) that results in the result that is expressed through the property of social justice. The property of social justice is that property of a social system for which three attributes of sufficiency have been identified. The first attribute of sufficiency refers to combining the principle

of contributory (or merit) with the principle of solidarity (or non-imputable non-participation). The second attribute of sufficiency refers to the preservation of the Paretian principle of improving social justice and the third attribute of sufficiency refers to the extension of the adjustment automatism by minimizing the discretionary public decision to achieve the objective of social justice, more specifically, it is intended the complete elimination of discretionary public decision on the functioning of the contributory principle and avoiding this type of decision as regards the functioning of the principle of solidarity. The concept of social justice comprises two categories: 1) commutative justice based on the principle of contributory; 2) distributive justice based on the principle of solidarity.

The paper aims at presenting the conceptual framework in the field of distributive social justice and formulating and supporting some theoretical arguments regarding the design of automatic stabilizers in this field.

3. The principle of difference

As part of the second principle of Ralws' theory of justice (Rawls, 2011), the principle of difference states that the higher expectations of individuals with a better situation are right if and only if they belong to a scheme that improves the expectations of the most disadvantaged individuals within a society. In the sense of the phrases used in the statement of the second principle, namely: "accessible to all" and "for the benefit of all", the principle of difference refers, for the first phrase, to equality in the sense of professions accessible to talented people and to equality of fairness, (the advantages of the most talented people must be accepted only if it contributes to the well-being of the disadvantaged) and democratic equality (in the opinion of the author the democratic equality it is achieved by combining the principle of equal equality of opportunities with the principle of difference).

The principle of difference refers to an egalitarian conceptions, equality is preferable if there is no other option that benefits all individuals in a society. The definition of this principle can be formulated as follows: economic and social inequalities must be dimensioned in such a way as to maximize of the most disadvantaged individuals and be associated with the roles and functions accessible to all, under fair conditions of opportunity. We consider that in the field of economics the principle of difference could equate to the maximin principle with the following differences: 1) the maximin principle is associated with the decision taken under conditions of uncertainty while the principle of difference is associated with the problems of justice; 2) the maximin principle refers to risks while the principle of difference refers to a particular case of inequality. Thus, accepting inequalities should be done only if the following three conditions are checked: 1) improve the situation of all individuals; 2) are compatible with equal freedom; 3) are consistent with fairness.

4. Automatic stabilizer

According to the definition (Dinga, 2009), an automatic stabilizer is an institution of institutional type, structural, macroeconomic sphere, with anticyclic action and automatic (automatic) triggering, aiming at reducing the volatility of the macroeconomic output. The arguments in support of the design of automatic stabilizers in the field of social justice, especially in the sphere of distributive justice, concern the following aspects:

- the desirability of avoiding the political factor in the decision to adjust the mechanism of social justice, because the political factor would distort this adjustment from a purely ideological perspective that may often not be in line with the objective of social equity;
- the intervention of the political factor in the mechanism of social justice generally consists in the fact that the adjustment in question occurs through discretionary interventions. While it is obvious that discretionary is not equivalent with arbitrary, however, the mere possibility of discretionary intervention is at first a vulnerable objective of achieving equity (justice), therefore, on the base of this argument, we consider that the introduction of the automatic stabilizers in the adjustment of social justice measures can eliminate, greatly interferes with the political interference in matters of social justice.

- given that social justice (whether commutative or distributive) directly and immediately, in time, affects the standard of living and the quality of life, it is desirable that the adjustments required for the fulfillment of social justice be done in a speedy manner, as compared to when there was such a need for adjustment (that is, a social inequity emerged). Since discretionary intervention involves deliberation (for example in the legislative institution) or even in special cases, an electoral questionnaire (e.g. by referendum), the time interval between the need for adjustment and the adjustment decision (the latter being presumed to be made by once the decision has been taken) can be so long that the "evil" produced by the social injustice in question is already producing negative effects. Therefore, from this perspective, the necessity and the opportunity to use the automatic stabilizers is also necessary.
- discretionary intervention (DI) in the mechanism of social justice is in principle reversible. For example, the political party in power through the Government representing it can take measures to cancel or drastically reduce the impact of a previous measure. This creates besides social unpredictability and disruptive oscillations in terms of the social perception associated with social equity and thus the fulfillment of the social contract, or the weakening of the trust of the members of society in the determination of its representatives to accomplish social justice, self-catalytically erodes not only the rule of law but and the state responsible for social justice. Instead, the introduction of automatic stabilizers completely avoid this reversibility risk in adjusting social justice. Of course, there may be cases where automatic stabilizers in social justice act to produce adverse effects (for example, when these automatic stabilizers are wrongly designed). In these rare cases, discretionary intervention becomes inevitable, but it is desirable that it is exercised not directly on the mechanism of social justice but on the redesign of the automatic "defect" stabilizer.

In fact, social justice is a social object so important that it is desirable from the institutional point of view to design and implement not only one automatic stabilizer but a system of such automatic stabilizers. Such a solution would have two fundamental consequences: 1) to produce a "reciprocal control" between the automatic stabilizers so that an excessive impulse of one is reduced by the impulse of another, which means that the automatic stabilizers are connected in the system in such a way to operate in predetermined variation bands on generated impulse; 2) an automatic stabilizer capable of correcting the operation of the automatic stabilizers system may be designed, this latter automatic stabilizer may be referred to as an automatic stabilizer.

Table no. 1. State intervention in the implementation and functioning of the automatic stabilizers

Way of intervention	Implementation	Functioning
discretionary	DI	DF (AS)
automatic	DI	AF (AS)

Source: author's research

5. Designing of an automatic stabilizer for the principle of difference

In the process of distribution of primary social goods to representative agents (advantaged / disadvantaged) we will use the following methodological notes:

RA⁺ - the most advantaged representative agent

RA⁻ - the most disadvantaged representative agent

 $I_{PSG}^{RA^+}$ - the primary social goods index for the most advantaged representative agent

 $I_{PSG}^{RA^-}$ - the primary social goods index for the most disadvantaged representative agent

The variation of the two indicators, at different times, for individuals (advantaged / disadvantaged) who benefited from the advantage of the distribution of primary social goods:

$$\Delta_{I_{PSG}}^{0} = I_{PSG}^{RA^{+}}(0) - I_{PSG}^{RA^{-}}(0)$$

$$\Delta_{I_{PSG}}^{1} = I_{PSG}^{RA^{+}}(1) - I_{PSG}^{RA^{-}}(1)$$

$$\Delta_{(\Delta)} = \Delta^1_{I_{PSG}} - \Delta^0_{I_{PSG}}$$

For the case of income (we note with A = the income of the advantaged ones, B = the income of the disadvantaged), $\Delta_{(\Delta)}$ increase, we obtain:

a)
$$A^1 > A^0$$
; $B^1 = B^0$

b)
$$A^1 = A^0$$
; $B^1 < B^0$

c)
$$A^1 - A^0 > B^1 - B^0$$

c)
$$A^1 - A^0 > B^1 - B^0$$

d) $A^1 - A^0 < 0$; $B^1 - B^0 < 0$; $A^1 - A^0 < B^1 - B^0$

For the following condition:

$$A^1 - A^0 > B^1 - B^0$$

we will identify an automatic stabilizer using the following notations:

$$A^1 - A^0 = \infty$$

$$A^1 - A^0 = \infty$$
$$B^1 - B^0 = \beta$$

The automatic stabilizer must respect the condition: $\beta > \infty$. Centralized we have the situation in the following table:

Table 2. The variation of income inequality in the different moment of time

Type income	Time 0	Time 1	Variation
A	A^0	A^1	$\Delta^A = (A^1 - A^0)$
В	B^0	B^1	$\Delta^B = (B^1 - B^0)$

Source: author's research

$$\frac{\Delta^B}{B_0} > \frac{\Delta^A}{A_0}$$

For the particular case of the income, in terms of relative growth, putting the following condition:

$$\hat{\beta}_{\alpha} > \hat{\alpha}$$

so

$$\widehat{\alpha} = \frac{A^1 - A^0}{A_0} = \frac{\alpha}{A_0}; \ \widehat{\beta} = \frac{B^1 - B^0}{B_0} = \frac{\beta}{B_0}$$
; where: $\overline{\beta} = \frac{\beta}{B_0}$

The automatic stabilizer designed for the principle of difference will be called: Procedural Regulatory Tax of Justice (*PRTJ*). If, we note *PRTJ* $\stackrel{\text{def}}{=} \gamma$, *PRTJ* can be determined according to the formula:

$$PRTJ = \gamma \cdot \alpha$$

As an absolute value:

$$\bar{\beta} = \beta + PRTI$$
, so $\beta = \beta + \gamma \cdot \alpha$

For the calculation from the rhythm perspective, i.e. a relative increase, the equation becomes:

$$\hat{\beta}_{\alpha} = \frac{\bar{\beta}}{\beta} = \frac{\beta + \alpha \cdot \gamma}{\beta} = 1 + \frac{\alpha \cdot \gamma}{\beta}$$

To apply the principle of difference in relative form, the algebraic operator of an automatic stabilizer will be calculated according to the following formula:

$$1 + \frac{\alpha \cdot \gamma}{\beta} > \widehat{\alpha} \qquad ; \quad \beta + \alpha \cdot \gamma > \widehat{\alpha} \cdot \beta$$

The author states that at this stage of the research, only the algebraic condition that an automatic stabilizer of distributive justice must to ensure in order to verify the principle of difference is solved. Regarding the nature of the institutional device that will ensure the algebraic condition mentioned, this constitutes a future direction of research. In this context, the following issues will also be examined: if $PRTJ(\gamma)$ is to be applied to the difference in income growth, or to the whole income, so that the most favored individuals' incomes do not fall, an automatic stabilizer must not resort to levies.

6. Conclusions

As regard the need to design automatic stabilizers in the field of social justice, especially in the field of distribution social justice, monitoring and adjusting fairness in the distribution of the economic product is necessary both from an economic perspective from a social perspective.

Regarding the possibility of designing automatic stabilizers in the sphere of distributive social justice, they ensure the possibility of monitoring and measuring the unfair distribution of the economic product and the state's capacity, of public policies to intervene through adjustment measures and instruments.

The opportunity of designing automatic stabilizers refers to the fact that international bodies and institutions strongly recommend replacing state discretionary measures in the economy with automatic stabilizers.

The usefulness of automatic stabilizers design involves three aspects: 1) the accuracy of the adjustment - the automatic stabilizers performs corrections to the extent of the deviations found, while discretionary measures may take the form of disproportionate interventions; 2) the rapidity of the adjustment - the automatic stabilizers act as soon as the gap that it controls through the definitions has taken place, while the discretionary measures may introduce lags in the corrective action; 3) impartiality of automatic stabilizers action - while automatic stabilizers are purely technical institutional devices, discretionary interventions have potential for inappropriateness in situations that can be corrected.

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Contributions Concerning the Operationalisation of Productivity

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Abstract

Purpose – This article presents a theoretical model of firms engaged in a market process, in diverse stages: separately, and by acquisition of the little one by the bigger one.

Method – Being a purely theoretical paper, developments are made in a two steps dynamic model of productivity calculation, with focus on the resulted serviceability.

Results and Conclusions – The article discusses certain basic linkages between firms in a competition market and presents productivity as a dynamic process, considering the effects for the diverse actors involved. It also specifies that the components are depending on the state of the concerned firms. The model provides an analytical framework for other developments, including various simulations on the matter and for more advanced conceptual and applied studies on productivity, in descriptive and analytical line. It also suggests bases for developing management and market policies.

Key words: productivity, serviceability, companies' acquisitions **J.E.L. classification:** L11, M21, D24, L19, E20, F20, J23

1. Introduction

Our research paper aims at revealing certain differences in calculating productivity, on diverse steps of evolution and for diverse dimensions.

As a purely theoretical research, it is conceptually grounded on a liberalist approach concerning the economy, trying to use the genuine meaning of productivity (Jivan, 2014). A theoretical model is presented and developed, considering two categories of economic entities that act in independent competition and that also dynamically evolve to the acquisition of the little one by the bigger one. In the topic of acquisition of certain firms by other ones, the literature is very rich; we can refer, for instance, to Roach (2007); this book also speaks about the growth and increasing globalization of modern corporations. Also, concerning especially the foreign direct investment, see, for instance, *Foreign Direct Investment* (2017).

The effects for the two types of actors taken into account are revealed, being calculated with hypothetical data, which start from an equitable state (the physical productivity is, from the very beginning, taken as identical for both categories of production entities). The differences in productivity are made, after the mentioned developing process, by the values got on the market, as consequences of the diverse production and labour prices they negotiate. Diverse variants of productivity in value expression are calculated.

The development on the market proves being consistent with the acquisition we assumed. The analysis on the model is an opportunity for providing ideas for diverse other developing studies on productivity, in purely theoretical way, but also possible openings for management and marketing applied purposes.

2. Analysis on a hypothetic case

Let us take the hypothetic case of two economic entities from two different countries: one with a less developed economy, having an average wage of $w^{R} = 1,000$ monetary units (m.u.) per month; and a highly developed economy, having an average wage of $w^A = 10,000$ m.u. per month.

The problem of diverse currencies and of the exchange rates between them is a different issue that we are not going to approach for now.

2.1. The average work productivity in physical units

To begin with, we'll start with identical productive forces, so that the productivity expressed in physical units is identical.

We consider first the hypothetic case of a company "R" from Romania, where the registered productivity for the reference period t_0 is $Q_0^R = 4,000$ units (of products/month), obtained with L_0^R = 100 workers, computing this way an average work productivity of $W_{L0}^R = Q_0^R / L_0^R = 40$ pieces/worker. If during the t_1 period of time we get a production of $Q_1^R = 10,000$ units, with $L_1^R =$ 150 workers, we'll reach a calculated labour productivity $W_{L1}^R = Q_1^R / L_1^R$ of 66.67 pieces/worker, it means that for the t_0 - t_1 period, the margin labour productivity will be: $W_{L1mgn}{}^R = \Delta Q^R/\Delta L^R = (Q_1{}^R - Q_0{}^R) \ / \ (L_1{}^R - L_0{}^R) = (10,000 - 4,000) \ / \ (150 - 100) = 120 \ units$

of production/worker.

We also consider a hypothetic company "A" from the USA, which produces $Q_0^A = 100,000$ units of that product, with $L_0^A = 1,500$ workers, an average labour productivity W_{L0}^A of 40 pieces/worker being calculated. We consider that during t₀-t₁period, the production and number of workers stays constant $(Q_0^A = Q_1^A; L_0^A = L_1^A)$, meaning that $W_{L1}^A = W_{L0}^A$; but immediately the "A" company will take investment measures on the external markets. For example, it will buy the "R" company of Romania, and thus, in the next period, due to this investment, it will register an increase of production and employees.

It means that at t2, for the big company is going to be calculated the medium labour productivity of:

 $W_{L2}^{A} = Q_{2}^{A} / L_{2}^{A} = (Q_{1}^{A} + Q_{1}^{R}) / (L_{1}^{A} + L_{1}^{R}) = (100,000 + 10,000) / (1,500 + 150) = 110,000$ / 1650 = 66.67 units per worker, meaning a highly increased productivity for company "A";

For t_1 - t_2 , the calculated marginal productivity will be of: $W_{L2mgn}{}^A = \Delta Q^A/\Delta L^A = ({Q_2}^A - {Q_1}^A) \ / \ ({L_2}^A - {L_1}^A) = (110,000 - 100,000) \ / \ (1650 - 1500) = (110,000 -$ 10,000 / 150 = 66.67 units per worker.

The increase Δ obtained by the company (through the investment) is given by the additional production and personnel ($\Delta Q^A = Q_1^R$; $\Delta L^A = L_1^R$).

We underline that our hypothetic example starts from identical average productivities: 40 pieces per worker. Also, during the next period of time, in both cases, each worker will be able to produce the same quantity: 66.67 pieces. We started from identical, equitable conditions in order not to give a predicted trend to the results to be obtained. The numbers were randomly chosen without trying to obtain a certain result.

One can notice that the marginal calculated productivities indicate a relative disadvantage of company "A" versus company "R", in physical units. It doesn't seem to fit the commonly known reality. But it is just accidentally that this result of the calculations does not fit the expectations. It means that the most intense fight is through marketing. This fight is our concern, in the following subsection.

We underline the resulting difference that e already mentioned: the marginal productivity is smaller for the big company than for the smaller enterprise.

2.2 Computing productivity in value units of production

In order to pass from the physical units to the value ones, we add the price per unit of product (p). For the needs of our paper, we'll name this productivity "partial value productivity", for we use the price of production (the numerator of productivity is expressed in value units), but the denominator is expressed in physical expression (in physical units of labour). In the next subsection of the paper we'll pass at the value expression – when we apply, to all data used in the calculus, their price. If the product unit has a selling price of, let's say, 10 monetary units, the resulting productivities (in values) are going to be:

 $W_{L0}^{R} = Q_{0}^{R} \cdot p / L_{0}^{R} = 40 \cdot 10 \text{ m.u.} = 400 \text{ m.u. per worker;}$ $W_{L1}^{R} = Q_{1}^{R} \cdot p / L_{1}^{R} = 66.67 \cdot 10 = 666.67 \text{ m.u. per worker;}$ $W_{L1mgn}^{R} = \Delta Q^{R} \cdot p / \Delta L^{R} = (Q_{1}^{R} - Q_{0}^{R}) \cdot p_{1}^{R} / (L_{1}^{R} - L_{0}^{R}) = (1,000,000 - 400,000) / (150 - 10)$ 100) = 120•10 m.u. per worker = 1,200 m.u. per worker;

 $W_{L1}^A = W_{L0}^A = Q_0^A \cdot p / L_0^A = 1,000,000 / 1,500 = 1,000,000 / 1,500 = 666.67 \text{ m.u. per}$

 $W_{L2}^{A} = W_{L2}^{A} = Q_{2}^{A} \cdot p / L_{2}^{A} = (1,000,000 + 100,000) / (1,500 + 150) = 1,100,000 / 1650 = 1,100,000 /$ 666.67 m.u. per worker;

 $W_{L2mgn}^{A} = \Delta Q^A \cdot p / \Delta L^A = (Q_2^A - Q_1^A) \cdot p / (L_2^A - L_1^A) = (1,100,000 - 1,000,000) / (1650 - 1,000,000)$ 1500) = 100,000 / 150 = 666.67 m.u. per worker.

The calculus still shows the same differences that we've noticed in the previous subsection concerning the marginal productivities in physical units: the marginal productivity of the company "A" is not bigger than that of the enterprise "R", but it even is smaller. Such a direction of the differences between the two categories of economic entities seems to be against the usual perception on the economic realities. We'll continue with our investigation - which is going to clarify the apparent un-concordance with the usual perception, in which the productivity of strong economies is considered to be bigger.

2.3 The calculus of productivity when both production and labour are expressed in value units

Finally, a second step for value expression is when we also express the labour factor in monetary units: salaries paid to the employees. In this case, if compared with the previous version, we add the price of the labour factor, namely the paid wages (w). For the needs of our paper, we'll call the productivity calculated with such value data as "full value productivity" or "complete" (total value expression). In this, only values (in monetary units) are used: beside the price of the production, we also include the salary, as market price.

We underline here an essential difference, regarding prices, according to the market realities:

- Case (p). On the products market, due to globalization, we witness a tendency of homogenization. This is true, even if there are of course certain differences. For example, in the case of Romania, at least, it is known that certain retail multinational companies sell certain products at higher prices, due to the privileged place such products have in the day-by-day consumption of Romanians (Romanians having structures of consumption specific for average revenues that are smaller than in other countries). Other products can have, on the other hand, smaller prices. In the present paper we take into account the tendency of homogenization of prices due to globalization.
- Case (w). In the case of salaries (the price of the labour factor), we notice differences from one country to another, which constitutes (as shown) the main reason for direct foreign investments.

Therefore, in this case, the (additional) calculus becomes:

 $W_{L0}^R = Q_0^R \cdot p / L_0^R \cdot w^R = 4.000 \cdot 10 / 100 \cdot 1.000 = 0.400$ monetary units of production per monetary unit of revenue generated by the labour of workers (of consumption of labour factor, of cost for the company)

 $W_{L1}^{R} = Q_{1}^{R} \cdot p / L_{1}^{R} \cdot w^{R} = 10.000 \cdot 10 / 150 \cdot 1.000 = 0.667$ monetary units got as average per one monetary unit of salary paid (of consumption of labour factor for the production). $W_{L1mgn}{}^R = \Delta Q^R \bullet p / \Delta L^R \bullet w^R = (Q_1{}^R - Q_0{}^R) \bullet p_1{}^R / (L_1{}^R - L_0{}^R) \bullet w^R = (1,000,000 - 400,000)$

•10 / (150 - 100) •1,000 = 1,200 m.u. of production increase per unit of cost of the labour factor.

We notice the increase of the average productivity for the Romanian enterprise of the chosen example; the full value marginal productivity is of 1.2 monetary units of production increase for each monetary unit of cost with the salaries.

 $W_{L1}^{A} = W_{L0}^{A} = Q_{0}^{A} \cdot p / L_{0}^{A} \cdot w^{A} = 1,000,000 \cdot 10 / 1,500 \cdot 10,000 = 1,000,000 / 1,500 = 0.667$ m.u. of production per m.u. of consumed factor.

For computing the marginal productivity for the company that invests in other countries (symbolised with "A"), we should consider – as a difference if compared to the Romanian firm – to decide the size of the salaries according to where the production units are: in the country of origin of the company, the market price of labour is, as shown, of 10,000 m.u., and in the poor country of 1,000 m.u.

So, the marginal productivity for the big company is going to be:

 $W_{12}{}^A = Q_2{}^A \cdot p / L_2{}^A \cdot w^A = (Q_1{}^A + Q_1{}^R) \cdot p / (L_1{}^A \cdot w^A + L_1{}^R \cdot w^R) = (1,000,000 + 100,000) \cdot 10 / (1,500 \cdot 10,000 + 150 \cdot 1,000) = 1,100,000 \cdot 10 / 15,000,000 + 150,000 = 11,000,000 / 15,150,000 = 0.726 m.u. per m.u. of the factor.$

It is known that, in order to attract the best labour force from the labour market, international companies offer usually the best salaries in the country where they externalise their branches or production capacities. In our example, we'll consider that in comparison with the 1,000 m.u. average salary that was offered by "R" company from the poorer country, company "A" shall offer to its employees, from the unit it bought in Romania, an average salary of 3,000 m.u.

 $W_{L2}^{A} = Q_{2}^{A} \cdot p / L_{2}^{A} \cdot w^{A} = (Q_{1}^{A} + Q_{1}^{R}) \cdot p / (L_{1}^{A} \cdot w^{A} + L_{1}^{R} \cdot w^{R}) = (1,000,000 + 100,000) \cdot 10 / (1,500 \cdot 10,000 + 150 \cdot 3,000) = 1,100,000 \cdot 10 / (15,000,000 + 450,000) = 11,000,000 / 15,450,000 = 0.712 m.u. per m.u. of factor.$

Such salaries increases offered by companies of type "A", do not represent a significant financial effort for them and do not generate an important decrease in their productivity (but only from 0.726, to 0.712 m.u. per m.u. of factor); in exchange, besides the subjective aspects of image, this gives them the chance of recruiting the best human elements of the local labour market. And this advantage is obtained with much smaller salary costs than the company would have in its origin country. Even if the hypothetic international company increases the salaries paid to the employees of the small unit it bought in Romania, we can notice an increased average productivity of the American company as result of such investment in a foreign country (the difference between 0.726 m.u. per m.u. of factor and 0.712 m.u. per m.u. of factor – when it decides to take such measures in order to attract labour force of the best quality from the market that it just entered – is very small for the company in our example).

Important for the new economic entity (extended at international level) is that the registered productivity is superior to the previous productivity of the American entity, as well as from the productivity registered by the "R" company, before being bought by foreign capital.

We find this as being an advantage, from the point of view of productivity, at global level.

When computing the marginal productivity (with the increased salary for the employees in Romania) we obtain:

The full value marginal productivity shows an increase of production of 22.222 m.u. at each m.u. of increase in the salary expenses.

But if the company externalises all of its productive capacities – in countries with cheap labour force, using the economic advantage of savings concerning the labour costs –, then the paid salaries will all be of, let's say, 3,000 m.u. per person, generating a marginal productivity that is considerably bigger, when the evolution with the expenses with the labour factor are strongly decreasing:

W_{L(uniform)2mgn}^A = $\Delta Q^A \cdot p / \Delta L^A \cdot w^A_{uniform} = (Q_2^A - Q_1^A) \cdot p / (L_2^A - L_1^A) \cdot w^A = (Q_2^A - Q_1^A) \cdot p / (L_2^A - L_1^A) \cdot w^A = (Q_2^A - Q_1^A) \cdot p / (L_2^A - L_1^A) \cdot w^A = (1,100,000 - 1,000,000) \cdot 10 / (1,500 \cdot 3,000 + 150 \cdot 3,000 - 1,500 \cdot 10,000) \cdot 3,000 = 100,000 \cdot 10 / (4,500,000 + 450,000 - 15,000,000) = 1,000,000 / - 10,050,000 = -0.0995024 m.u. production increase per m.u. of increase of the factor.$

The 1,000,000 m.u. plus of production is in this case, obtained by the company, with salaries expenses with 10,050,000 m.u. smaller.

We observe that extending the capital from the countries having strong economies, in less developed countries, has important advantages for those companies and for their origin countries, the impact being regarded as the different influences that they can use. Also, this expansion has

advantages for the less developed country, for example through the development of business techniques and technology.

We should also say that if the company would have kept the uniform salaries for *all* employees (including the workers in the capacities bought abroad), the new acquisition wouldn't have been profitable, as the surplus of production generated by the new workers wouldn't have been much bigger than the increases of expenses with the salaries.

 $\begin{array}{l} W_{L(uniform)2mgn}{}^{A} = \Delta Q^{A} \bullet p / \Delta L^{A} \bullet w^{A}{}_{uniform} = (Q_{2}{}^{A} - Q_{1}{}^{A}) \bullet p / (L_{2}{}^{A} - L_{1}{}^{A}) \bullet w^{A} = (Q_{2}{}^{A} - Q_{1}{}^{A}) \bullet p / (L_{2}{}^{A} - L_{1}{}^{A}) \bullet w^{A} = (1,100,000 - 100,000) \bullet 10 / (1,500 \bullet 10,000 + 150 \bullet 10,000 - 1,500 \bullet 10,000) = 10,000,000 / 1,500,000 = 6.667 \ \text{m.u.} \ \text{of production increase per m.u.} \ \text{of increased expenses with the labour factor.}$

In this case, buying production units abroad wouldn't be justified.

For the sake of comparisons, we can take also the hypothetic case when the company A would continue to pay its employees in Romania salaries at the smaller level (unmodified) of the average salary of the local economy where the investment was made (such an approach would have been the most beneficial for the company in respect to the increase of production brought by each additional unit of supplementary salary expense); but, such a case has just a theoretical character for, despite the fact that international companies try to have the biggest benefits, they often use human resources policies that conserve their image of best paying companies on the labour market. The companies that pay salaries which are higher than the average of the economy afford to use lots of selections and checks in recruiting new employees, which allows them to employ the best labour force from the relatively poor countries in which they decide to produce:

 $W_{L(unmodified)2mgn}^{A} = \Delta Q^{A} \cdot p / \Delta L^{A} \cdot w_{unmodified}^{A} = (Q_{2}^{A} - Q_{1}^{A}) \cdot p / (L_{2}^{A} - L_{1}^{A}) \cdot w^{A} = (Q_{2}^{A} - Q_{1}^{A}) \cdot p / (L_{2}^{A} - L_{1}^{A}) \cdot w^{A} = (1,100,000 - 100,000) \cdot 10 / (1,500 \cdot 10,000 + 150 \cdot 1,000 - 1,500 \cdot 10,000) = 10,000,000 / 150,000 = 66.667 m.u. production increase per m.u. increase of the expenses with the labour factor.$

3. Interpretation. Conclusions and comments

In the present analysis, we considered a hypothetic case, comparing the possible evolutions of two very different economic entities: a relatively small Romanian company and a big American company. We didn't take into account the field of activity, but we had a general, theoretic approach (with no other specificities, besides the economic market force given by the size of the considered entities and the differences generated by the national economy in which these entities act). Therefore, we underline that the results of these formulas (of the average physical productivity), computed for random data, are valid in the hypothetic senses that we've assumed from the very beginning.

Important, from the methodological point of view, is that the results are not influenced by any subjective desire: we didn't want to pre-establish some results that are more "convenient" to a certain conception. In the example we considered, the starting average productivity (at the moment t_0) was the same for both entities (40 pieces per worker); and in the following period, the productivity of 66,67 pieces per worker, was also the same.

From our calculus, a relative disadvantage of the American company resulted in comparison with the smaller (Romanian) enterprise, in terms of the marginal productivity in physical units. The initial apparent contradiction with the usual perception upon the economic realities is cleared once we pass to calculating productivity in the most common way: in value units. We've introduced in our analysis, step by step, firstly the price of the sold production, then the price at which the labour force is bought (the salaries). These elements of calculus are no longer connected to the productive quality (of creating value) but to the market negotiations, done in a certain conjuncture.

The productivity computed this way (considering both value elements – prices), which we named full value productivity, showed increases, for the chosen examples, in the case of the Romanian enterprise, both of the average productivity and the marginal one (we established an increase of 1,2 m.u. of production value at each unit of value of the labour factor).

The big difference, when we look at the events in their evolution, is that company "A", which externalizes part of its capital to foreign countries, shall exploit that capital by working in those

countries with a cheaper labour force than in its own country of origin. This aspect is important from the point of view of the *reasons* of externalising the capital factor.

By analysing what happens with the indicators, we notice that, even if the marginal productivity of the company stays the same, the paid salaries will be smaller: the investor takes into account the prices on the local labour market. In their decisions, companies do not follow a marginal calculus that describes some sort of rule in establishing the salaries to be paid: the only law is the market itself, where the company "A" negotiates the prices according to its own interests, not according to marginal mathematic calculi (according to Jivan, 2014).

Therefore, the international company, without doing any special financial effort, and maintaining an important increase of marginal productivity (0,712 m.u. of production per m.u. of wages), manages to have a good image and to obtain the highest quality labour force of the local market, by paying higher salaries, even if those higher salaries (often much bigger than the relatively smaller salaries of the local workers) represent smaller costs for the company, than those it would have paid in the origin country for the same labour services.

The big company's productivity after the acquisition of the Romanian production unit is bigger than the calculated productivity of the Romanian production unit when it had local capital, but, as previously shown through calculus, it is bigger than the productivity of the American company before this investment also. By paying salaries that are 10,050,000 m.u. smaller than those it would have paid in its own country, the company in our hypothetic example obtained an extra production of 1,000,000 m.u. We've also noticed a significant increase in the marginal productivity calculated with both mentioned price elements (prices of the sold production and of the purchased labour force) of 22.222 (compared with the 1.2 increase computed for the "R" company).

In the paper, we have also highlighted the advantages seen from the point of view of the productivity, at the level of the world economy as a whole.

In conclusion, compared with the initial productivities taken as identical (in physic units), the differences appear when we consider the market policies evolutions, the confrontations of forces that we find even in the negotiated prices; from this point forward, things change, leading to the known image where the strong entities from strong countries will register better productivities than others, not obligatory because their capacity of creating production per physic unity of labour is bigger, but because they have a bigger force to negotiate better prices for themselves (in value expression). And more favourable prices for an "A" entity means higher prices for what that entity sells and smaller prices for what it buys (for example, labour).

The hypothetic example can for sure be considered to be a particular one. Nevertheless, the validity of the ideas is general: namely, the theoretic analysis is done on the basis of practice, of the real economy. And this, the economic life, works according to the laws of market confrontation between diverse economic entities that come with specific arguments, negotiate from diverse positions, in real given conditions, without any theoretic or mathematic predetermination.

The lesson that can be learned from this analysis, by looking at the two categories of economic entities taken as example, with market policies that are more or less expansive (according to certain very different conditions of economic force and available capital) is that the effects over their productivities are different when these productivities are computed in value expression, in a dynamic approach of these indicators. This can be useful as a frame for the perception over the productivity that offers suggestions not only for more complicated and detailed simulations of this research subject, but also for new analysis and developments, including some with real date, for management decisions and market policies.

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Is Okun's Law Valid in Romanian Economy? An Empirical Approach of Unemployment Rate and GDP Relation from 2000 to 2018

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Abstract

Economic growth and the level of employment are two key factors that economists should consider when analyzing different economic aspects. In this article, we focus on the relation between the growth of unemployment rate and the growth of real gross domestic product (both expressed as a percentage) in the case of Romania. In our research we answer at the following questions? Is Okun's rule valid in Romanian economy from 2000 to 2018? Does it hold over time? What is the relation between these variables?

The empirical analysis showed the inverse relationship between them, confirming Okun's findings, underlying that the rule is valid in the Romanian economy in the analyzed period, although the small value of R-squared made us interpret the results with caution, questioning somehow the sustainability of the law over time. Its validity can be seen more on short term analysis rather than on long term projections.

Key words: unemployment rate, GDP, Okun's law, economic growth

J.E.L. classification: E24, O47, C22, J64

1. Introduction

Important part of economic policy, monetary policy has always been careful in ensuring the balance between the four components of the "Magic Square". In this context, one of its scope is to impact all of them at once, although this can affect the others: price stability, economic growth, increase of employment rate and the equilibrium of balance of payments and the increase of reserves and means of international payments (Stoica *et al*, 2003, p.523-524).

Since economic growth and the level of employment are two important factors that economists should take into consideration in their analysis, in this article, we chose to remain inside this magic square and decide to check the relation between the growth of unemployment rate and the growth of real gross domestic product in the case of Romania, or in other words, what is known as a variation of Okun's law. Is Okun's rule valid in Romania? Does it hold over time? What is the relation between unemployment rate growth and real gross domestic growth in the analyzed period and how much correlated are these two variables?

In 1962, Yale's American economist, Arthur Melvin Okun, discovered two empirical indirect relationships between unemployment rate and gross domestic product (GDP) or output that has become real rules of thumb. Stating that in order to produce more goods, the economy needs more workers or more working hours, Okun introduced the unemployment rate to quantify the amount of labor from the economy. The "difference version" presents how the real output growth are influenced by the changes of unemployment rate quarterly data, while the "gap version" links the unemployment rate to the gap between potential and actual output, establishing that 1% increase in unemployment rate leads to a 2% decrease of real GDP (Okun, 1962).

In the first part of this article, we will present a short overview of the scientific literature regarding the relationship between unemployment rate and GDP and in the second part we will check the validity of Okun's law in Romanian economy from 2000 to the second quarter of 2018, using quarterly growth levels of unemployment rate and real GDP, expressed as a percentage.

2. Overview of scientific literature: in a nutshell

The subject is well debated in hundreds of articles throughout the world, many researchers checking the validity and stability of Okun's Law in their countries, using quarterly or annually data and analyzing only one or both versions of the law, studying not only the influence of unemployment rate over output, but the reverse relationship, too.

Most of the studies showed the existence of a relationship between unemployment and output. In checking the stability of the rule, many economists tried to determine the influence of GDP changes over the unemployment rate, while others searched for the reverse relationship. This means that depending on the research question asked, regressions of output on unemployment or vice versa play an important role in correct estimation (Barreto *et al*, 1993, p. 21).

In a nutshell, the relationship exists, while the coefficients may differ from one country to another.

Okun's law created a lot of controversies through researchers, studies showed how unstable and not trustful is this rule.

Using data since 1948 for the United States and since 1980 for no less than twenty advanced economies, Ball *et al* (2013, p. 1-2) explained short-run unemployment movements, concluding that Okun's low is a stable and a strong relationship in most countries.

On contrary, Knotek (2007, p. 81) believed that in long time series, there can be some changes in relationship, stating that on short term there is a considerable variation in the relation between changes in unemployment rate and real output growth. He concluded that not always there is a negative relation between those two variables, citing moments where growth reductions have not lead to increasing unemployment, but underlying that in time the relation is stable.

The stability of the law was tested by White *et al* (2013, pp. 25-26), showing that in USA case there is a two way causality between variables (out of a total of five influences between unemployment rate and GDP), with varying directions of effect, while in France and Japan case, they could not find any causality, due to variances in demographics, legal systems, states of business cycle, cultures. Using a regression with GARCH errors to show the volatility of the series, in United States, Nektarios (2016, p. 25) achieved a coefficient very close to the value of two, although it oscillated during the analyzed period. There is not a significant change in time of the relationship between the two variables.

By analyzing quarterly data from 1971 to 2013 in United Kingdom, Stober (2015, p. 10, 14-15) assessed the validity of Okun's law, suggesting the negative correlation between unemployment and economic growth rate (if output increases by 1 point, the unemployment rate will diminish by 0.074 points).

Okun's law seems to be valid and useful in unemployment and output forecasts in Japan, Germany and Italy, since this is possible due to small magnitudes of the Okun coefficient (Ball *et al*, 2014, p. 12).

The Okun's law negative relationship is valid for Nigeria, during 1970 - 2013. A decrease of 1% of unemployment rate leads to an increase of 1.75% of GDP, a coefficient which is lesser than 3% original Okun coefficient, emphasizing that the coefficient can be used to explain the situation in Nigeria (Oluyomi *et al*, 2016, p. 1422).

Estimating Okun coefficient in four Mediterranean countries (Spain, Portugal, Italy and Greece), Dritsaki *et al* (2009, p. 18) found out, using Hodrick and Prescott filter, that unemployment cost (from real GDP loss perspective) is greater in Italy (-0.024) and smaller in Greece (-0.007).

The validity of Okun's law was tested in Romania, too (Gheorghe, 2010, p. 95). The approach to model reciprocal and unique two-way relation between the growth of GDP and the growth of unemployment rate as described by Okun in 1962 is not applying in Romania during the period 1992-2004 (Turturean, 2008, p. 7). An empirical work in Romania studied the impact of economic

crisis on the unemployment time varying NAIRU and output gaps (Andrei, 2014, p. 6). The "gap version" of Okun's law was studied by Curea-Pitorac (2015, p. 50) using data after the integration in the European Union. The model was considered valid, expressing the inverse relationship between unemployment gap and output gap. The study also showed that beside fiscal and monetary policies, some other policies had to be implemented.

3. Methodology

For this analysis, we will use the original Okun's relationship between the growth rate of GDP and unemployment rate, expressed as percentage. Both are seasonally adjusted series and cover the period from the the first quarter of 2000 (2000 Q1) until the second quarter of 2018 (2018 Q2). All the 74 observations for each series are to be found in *Table no. 1*.

The growth of unemployment rate, expressed as a percentage (U_growth) is the dependent variable and is calculated as a percentage change of unemployment rate from a quarter to another. Data from the series are from the Eurostat database.

The growth of GDP, expressed as a percentage (*GDP_growth*) is the independent variable and is calculated as a percentage change of GDP from a quarter to another. In this case, the data is from the National Institute of Statistics in Romania.

Knowing the Okun's indirect relationship between unemployment and GDP growth, the research will use the Least Squares method to analyse U_growth as a function of GDP_growth .

In this case, $U_growth = f(GDP_growth)$.

Table no. 1. GDP growth and U growth in Romania expressed as a percentage (2000 – 2018)

Period	GDP growth (%)	U growth (%)	Period	GDP growth (%)	U growth (%)	Period	GDP growth (%)	U growth (%)
2000 Q1	10,717	-1,333	2006 Q2	3,995	-1,408	2012 Q3	0,689	0,000
2000 Q2	8,050	2,703	2006 Q3	4,211	7,143	2012 Q4	1,714	-2,941
2000 Q3	10,158	2,632	2006 Q4	6,284	-6,667	2013 Q1	1,361	4,545
2000 Q4	10,480	-1,282	2007 Q1	4,364	-5,714	2013 Q2	2,102	7,246
2001 Q1	12,326	-3,896	2007 Q2	5,689	0,000	2013 Q3	2,040	-5,405
2001 Q2	8,184	-2,703	2007 Q3	5,181	-6,061	2013 Q4	2,149	0,000
2001 Q3	8,007	1,389	2007 Q4	7,291	-4,839	2014 Q1	-0,074	-1,429
2001 Q4	7,638	6,849	2008 Q1	7,307	-3,390	2014 Q2	2,212	0,000
2002 Q1	3,795	10,256	2008 Q2	5,565	0,000	2014 Q3	0,760	-1,449
2002 Q2	8,859	1,163	2008 Q3	6,152	-5,263	2014 Q4	1,193	-1,471
2002 Q3	5,411	-2,299	2008 Q4	2,138	3,704	2015 Q1	3,039	4,478
2002 Q4	6,446	-10,588	2009 Q1	-11,776	8,929	2015 Q2	-0,769	-1,429
2003 Q1	8,024	0,000	2009 Q2	3,905	05 0,000 20		3,750	-1,449
2003 Q2	6,161	1,316	2009 Q3	1,898	11,475	2015 Q4	1,013	-2,941
2003 Q3	6,435	-1,299	2009 Q4	5,335	4,412	2016 Q1	1,276	-4,545
2003 Q4	6,311	6,579	2010 Q1	-9,902	2,817	2016 Q2	3,740	-4,762
2004 Q1	5,064	0,000	2010 Q2	3,668	-8,219	2016 Q3	-0,034	-1,667
2004 Q2	5,758	-3,704	2010 Q3	2,233	2,985	2016 Q4	3,616	-8,475
2004 Q3	6,179	2,564	2010 Q4	1,626	0,000	2017 Q1	3,662	-3,704
2004 Q4	4,932	-1,250	2011 Q1	1,770	0,000	2017 Q2	2,123	-5,769
2005 Q1	2,063	0,000	2011 Q2	-0,581	2,899	2017 Q3	3,350	0,000
2005 Q2	3,962	-7,595	2011 Q3	2,721	2,817	2017 Q4	2,477	-4,082
2005 Q3	4,632	-10,959	2011 Q4	0,287	1,370	2018 Q1	2,121	-4,255
2005 Q4	3,638	1,538	2012 Q1	1,607	-6,757	2018 Q2	2,948	-6,667
2006 Q1	5,443	7,576	2012 Q2	2,691	-1,449			

Source: National Institute of Statistics in Romania, Eurostat, own processing

4. An empirical application of Okun's law in Romanian economy between 2000 and 2018

We will begin our analysis by firstly testing the stationary of the variables, *U_growth* and *GDP_growth*, expressed as a percentage. A time series is stationary only if its mean and variance are constant over time. We will therefore perform Augmented Dickey – Fuller (ADF) and Phillips – Perron (PP) tests to check the presence of a unit root that can cause stationarity.

Figure no. 1. ADF and PP tests for GDP_growth time series

Null Hypothesis: GDP_GROWTH has a unit roct Exogenous: Constant, Linear Trend .ag Length: 0 (Automatic - based on SIC, maxiag=11)			Null Hypothesis: GDP_GROWTH has a unit root Exogenous: Constant, Linear Trend Bandwigth: 3 (Newey-West automatic) using Bartlett kernel					
		t-Statistic	Prob.*			Adj. t-Stat	Prob.*	
Augmented Dickey-Ful	ler test statistic	-7.459169	0.0000	Phillips-Perron test stat	istic	-7.558617	0.0000	
Test critical values:	1% level	-4.088713		Test critical values:	1% level	-4.088713		
	5% level	-3,472558			5% level	-3.472558		
	10% level	-3.163450			10% level	-3.163450		
"MacKinnon (1996) one	s-sided p-/alues.			"MacKinnon (1996) one	-sided p-values.			

Source: EViews outputs, own processing

As it is seen in *Figure no. 1*, t-Statistic values (ADF = -7.459169 and PP = -7.558617) are smaller than any critical values of the tests at 1%, 5 % and 10% level, so the null hypothesis that GDP_growth time series has a unit root, is rejected with a probability higher than 99%, and in consequence, is stationary at level. The order of integration is 0, meaning the series is I(0).

 U_growth time series is also stationary at level, the null hypothesis being accepted with a probability less than 1%, because both t-Statistic values for ADF test and PP test are smaller than tests critical values at different levels (ADF = PP = -6.678796). U_growth is integrated by order 0, I(0), as it is seen in *Figure no.* 2.

Figure no. 2. ADF and PP tests for U_growth time series

Null Hypothesis: U_GR Exogenous: Constant Lag Length: 0 (Automa	OWTH has a unit root tic - based on SIC, maxl	ag=11)	Null Hypothesis: U_GROWTH has a unit root Exogenous: Constant Bandwidth: 0 (Newey-West automatic) using Bartlett kernel						
		t-Statistic	Prob.*			Adj. t-Stat	Prob.*		
Augmented Dickey-Fuller test statistic		-6.678796	0.0000	Phillips-Perron test stat	-8.678796	0.0000			
Test critical values:	1% level 5% level 10% level	-3.522887 -2.901779 -2.588280		Test critical values:	1% level 5% level 10% level	-3.522887 -2.901779 -2.588280			
*MacKinnon (1996) on	e-sided p-values.			*MacKinnon (1996) one	e-sided p-values.				

Source: EViews outputs, own processing

Since both series are order one integrated, I(0), it is not necessary to check if between them there is a stable long term relationship (level of cointegration).

Using Least Squares method, we can estimate the regression model, how unemployment growth rate varies when there is a change in GDP growth rate (see *Figure no. 3*).

The estimated equation is:

 $U_GROWTH = C(1) * GDP_GROWTH + C(2)$, or

 $U_GROWTH = -0.217603 * GDP_GROWTH + 0.147779.$

We found an inverse relationship between GDP growth rate and unemployment growth rate, validating the indirect influence as stated by Okun's law. If GDP growth rate increases by 1% from a quarter to another, the unemployment growth rate decreases by 0.217%. R-squared is 0.03 and means that only 3% of the variation of unemployment growth rate can be explained by the GDP growth rate.

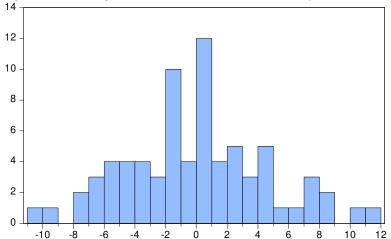
Figure no. 3. U_growth time series – equation estimation

Dependent Variable: U GROWTH Method: Least Squares Date: 02/03/19 Time: 15:42 Sample: 174 Included observations: 74 Variable Coefficient Std. Error t-Statistic Prob. -0.217603 -1.495910 GDP_GROWTH 0.145466 0.1390 0.769659 0.192006 0.8483 С 0.147779 0.030143 -0.672027 R-squared Mean dependent var Adjusted R-squared 0.016673 S.D. dependent var 4.687970 Akaike info criterion S.E. of regression 4.648725 5.937718 Sum squared resid 1555.966 Schwarz criterion 5.999990 Log likelihood -217.6956 Hannan-Quinn criter. 5.962559 F-statistic 2.237746 **Durbin-Watson stat** 1.491854 Prob(F-statistic) 0.139048

Source: EViews output, own processing

In the end, for a valid model, we need to test the errors (residuals). The normality test (histogram) shows the residuals distribution (see *Figure no. 4*). The value of Jarque-Bera 0.846880 confirms the normal distribution of errors with a 65% probability (more than 5% standard level). Moreover, the Skewness coefficient very close to zero (0.25) explains the symmetrical distribution around the mean, while Kurtosis coefficient 2.932173 confirms the normal distribution of residuals.

Figure no. 4. Histogram - residuals distribution normality



Series: Residuals Sample 174 Observations 74 Mean 3.60e-16 Median 0.104097 Maximum 11.74023 Minimum -10.09884 Std. Dev. 4.616775 Skewness 0.259838 Kurtosis 2.932173 Jarque-Bera 0.846880 Probability 0.654791

Source: EViews output, own processing

Breusch-Godfrey serial correlation LM test rejects the null hypothesis of errors correlation with 10.75% probability. At the same time a Durbin-Watson test's value of 1.982904 confirms there is no correlation between errors.

We used ARCH test to verify the heteroskedasticity of residuals. With 86.84% the null hypothesis is rejected, meaning that residuals are not heteroscedastic, they have constant variance over time.

5. Conclusions

The empirical analysis of quarterly values of unemployment growth rate and GDP growth rate in Romania from the 2000 to 2018 showed the inverse relationship between these two variables, confirming Okun's findings and from this point of view, underlying that the rule is valid in the Romanian economy in the analyzed period.

A small coefficient of 0.217 suggests that if GDP growth rate increases by 1% from a quarter to another, the unemployment growth rate decreases by 0.217%. Knowing that these values can differ

from country to country and from a period to another, using historical inputs (see all the scientific approaches that have been made), we must interpret with caution the results. R-squared has a small value, meaning that the variation of unemployment rate is explained by other variables.

As a result, we can conclude that its validity can be seen more on short term analysis (for instance, in discussions about economic growth) and forecasts, rather than on long term projections, because of continuous market changing conditions that influence Okun's coefficient.

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Factorial Analysis of Profit on an Economic Entity Level

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Abstract

The purpose of this article is to perform the factorial analysis of profit on the level of an economic entity, in particular by following the main indicators acting directly on it, namely: the factorial analysis of the gross result of the exercise, the factorial analysis of the exploitation result and the factorial analysis of the profit related to the turnover.

Given the main objective of an economic entity's business, namely to earn a profit, which is the reason for setting up an entity, the value of profit is of particular importance to any entity regardless of its business, we have conducted a case study related to profit at an economic entity.

Key words: factorial analysis, gross result, exploitation result, profit, turnover.

J.E.L. classification: M41

1. Introduction

"In the contemporary economic theory there is a division of opinions regarding the definition of profit, which represents: the advantage obtained in monetary form from an action, operation or economic activity.

Economic agents must have information on the size and profitability of the business, information captured by the two key indicators: the profit mass and rate." (Iosif, 2000, p.338)

2. Theoretical background

"The profit margin is the absolute amount obtained as the difference between revenue and costs or, at product level, the difference between the selling price and the cost. This indicator thus represents the positive financial result that expresses the efficiency of the productive activity of an economic entity.

The profit rate is the percentile ratio of profit and turnover (cost or capital) depending on the basis of comparison we choose. A final or residual element of the difference between total income and costs; implicit remuneration of production factors.

The condition for earning a maximum profit is that the marginal yield of each factor equals its price. In addition, the sufficient profit maximization condition is that, at optimal, the marginal yields of the factors are decreasing.

A general, systemic diagnosis of the entity's profitability situation requires an analysis based on the following system of indicators: the net profit of the entity's total economic and financial activity; the gross profit of the entity's total economic and financial activity; the gross profit on the three types of activities; gross profit on organizational structures (by profit centers); gross profit on various products.

Based on this system of indicators, the areas of activity, the organizational structures and the products where there was an unfavorable profit dynamics can be identified or, although favorable, still do not meet the level of competitiveness demanded by the internal and external market in terms of profitability in that branch" (Iosif, 2000, p.338).

Profit analysis also needs to be made on the basis of endogenous and exogenous factors acting on the entity level. Taking into account the variety of forms under which the entity profit is presented, its factorial analysis can be broadened considering the following output categories: the gross result of the exercise; the result of exploitation; the result of turnover.

3. Factorial analysis of the gross result of the financial period

The gross result of the financial year (Rb) is determined as the difference between total revenue and total expenditure thus:

$$\overline{prb} = \frac{\sum y_i * prb_i}{100}$$

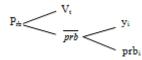
where:

prb - represents the gross average result (profit) per 1 leu of total income;

y_i - total revenue structure by activity category;

prb_i - the gross profit per 1 leu income per category of activity.

The system of factors is acting on gross profit, so it is presented:



Measurement of factor influence is achieved using the chain substitution method.

3.1. Factorial analysis of the exploitation result

The result of the (Re) exploitation is circumscribed on the level of the entity's core activity and characterizes in absolute terms the profitability of the exploitation cycle. It is determined that the difference between operating income (Ve) and related expenses (Ce) as follows:

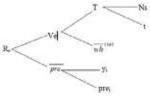
The factorial analysis of the result of the exploitation may be performed on the basis of the following models:

a)
$$Ve\left(1 - \frac{Ce}{Ve}\right) = Ve * \overline{pre}$$
 where: $\overline{prb} = \frac{\sum y_i * prb_i}{100}$, $pre_i = 1 - \frac{Ce_i}{Ve_i}$

b)
$$\operatorname{Re} = \overline{Ns} \cdot \frac{\overline{Mf}}{\overline{Ns}} \cdot \frac{\overline{Mf}}{\overline{Mf}} \cdot \frac{Qe}{Mf} \cdot \frac{Ve}{Qe} \cdot \frac{\operatorname{Re}}{Ve}$$

c) Re =
$$Ae \cdot \frac{Ve}{Ae} \cdot \frac{Re}{Ve}$$

The system of factors is presented for the "x" analysis model:



This model of analysis, although generally valid for all entities, is recommended to be used predominantly by those entities that do not have an important technical and material basis.

The methodology of factorial analysis and quantification of factors influences, respectively:

$$\Delta Re = Re_1 - Re_0$$

in which, due to:

- a) the influence of the change in operating income: $\Delta Ve = (Ve_1 Ve_0) \cdot \overline{pre}$ which, due to:
- the influence of the change in the total working time fund $\Delta T = (T_1 T_0) \cdot \overline{wh_0} \cdot \overline{pre_0}$ of which, due to:
- the influence of the change in the average number of employees:

$$\Delta \overline{Ns} = (\overline{Ns}_1 - \overline{Ns}_0) \cdot \overline{t_0} \cdot \overline{wh_0} \cdot \overline{pre_0}$$

- the influence of the change in the average number of employees: $\Delta \bar{t} = \overline{Ns_1} \cdot (\bar{t}_1 \bar{t}_0) \cdot \overline{wh_0} \cdot \overline{pre_0}$
- the influence of average hourly productivity: $\Delta \overline{wh^{(ve)}} = \overline{T}_1 \cdot (\overline{wh_1} \overline{wh_0}) \cdot \overline{pre_0}$

- b) the influence of the change of the average profit to 1 leu operating income: $\Delta \overline{pre} = Ve_1(\overline{pre_1} \overline{pre_0})$ of which, due to:
- the influence of the structure of operating revenues on types of activities:

$$\Delta y_i = Ve_1(\sqrt[r]{pre_1} - \overline{pre_0}) \qquad ; \qquad r \overline{pre} = \frac{\sum yi_1 \cdot prei_0}{100}$$

- profit influence per 1 leu operating income per types of activities: $\Delta pre_0 = Ve_1(\overline{pre_1} - \overline{pre_0})$

An example of factorial analysis and the quantification of factors influences according to the "a" model and appropriate to the economic results of the economic entity analysed are presented in the following table:

Table no. 1 Factorial analysis example

NO.	INDICATORS	SYMBOL	EXPECTED	ACHIEVED
1	Revenues from exploitation	Ve	22,540	29,120
2	Expenditure from exploitation	Che	20.286	26.499,2
3	Average number of employees (pers.)	\overline{Ns}	350	400
4	Exploitation result (1-2)	Re	2,254	2,620.8
5	Total labour time fund (hours)	T	644,000	728,000
6	Average time per employee (hours)	\overline{t}	1,840	1,820
7	Hourly average productiveness, calculated based on the exploitation revenues	$\overline{wh^{(ve)}}$	35	40
8	Average profit for 1 leu exploitation revenues (lei)	pre	0,10	0,09
9	Average profit recalculated for 1 lei exploitation revenues (lei)	r pre	-	0.085
10	Annual average value of fixed means, of which: - directly productive fixed means	$rac{\overline{Mf}}{\overline{Mf}^{\hat{\imath}}}$	3,850 2,464	4,600 2,990
11	Output of the financial year	Qe	21,467	28,549
12	Degree of technical endowment of labour (million lei/employee)	$\frac{\overline{Mf}}{\overline{Ns}}$	11	11.5
13	Weight of directly productive fixed means (%)	$\frac{\overline{Mf^{\hat{\imath}}}}{\overline{Mf}}$	64	65
14	Output of the financial year for 1 leu directly productive fixed means (lei)	$rac{Qe}{Mf^{^{i}}}$	8.7122	9.5482
15	Degree of valorisation of the financial year output (lei)	$\frac{Ve}{Qe}$	1.05	1.02

Source: drawn up by the author

The calculations result in the following results: $\Delta Re = Re_1 - Re_0 = +366.8$ mil. lei, of which, due to:

- a) the influence of the change in operating income: $\Delta Ve = (Ve_1 Ve_0) \cdot \overline{pre} = +658$ mil. lei
- the influence of the change in the total working time fund: $\Delta T = (T_1 T_0) \cdot \overline{wh_0} \cdot \overline{pre_0} = +294$ mil. lei
- the influence of the change in the average number of employees:

$$\Delta \overline{Ns} = (\overline{Ns_1} - \overline{Ns_0}) \cdot \overline{t_0} \cdot \overline{wh_0} \cdot \overline{pre_0} = +322 \text{ mil. lei}$$

- the influence of changing average time on an employee:

$$\Delta \bar{t} = \overline{Ns_1} \cdot (\bar{t}_1 - \bar{t}_0) \cdot \overline{wh_0} \cdot \overline{pre_0} = -28 \text{ mil. lei}$$

- influence of average hourly productivity: $\Delta \overline{wh}^{(ve)} = \overline{T}_1 \cdot (\overline{wh}_1 \overline{wh}_0) \cdot \overline{pre}_0 = +364 \text{ mil. lei}$
- b) influence of the change of the average profit to 1 leu operating income:

$$\Delta \overline{pre} = Ve_1(\overline{pre_1} - \overline{pre_0}) = -291,2 \text{ mil. lei}$$

- the influence of the structure of operating revenues on types of activities:

$$\Delta y_i = Ve_1(\overline{pre_1} - \overline{pre_0}) = -436.8 \text{ mil. lei}$$

- profit influence on 1 leu operating income per types of activities:

$$\Delta pre_0 = Ve_1(\overline{pre_1} - \overline{pre_0}) = +145,6 \text{ mil. lei}$$

There is an exceedance of the expected exploitation result of 366.8 million lei, or 16.27%, due exclusively to the increase in operating income. This situation is favourable because the overrun is found in gross profit, net profit and net profit of the economic entity.

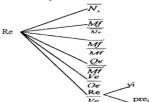
Analysing the influences of the factors that generated the change in the exploitation result, we find the following:

- the increase in operating income and operating result was determined in proportion of 44.7% by the extensive use of the labour force and the 55.3% difference was due to the intensive side, respectively the increase in the average hourly productivity. The increase in the average hourly productivity led to the increase of operating revenues by RON 3,640 million and the operating result by 364 million lei;
- as a result of the full use of working time, the operating result increased by 294 million lei. This situation was caused by the increase of the number of employees with 50 employees, while the average time per employee was not achieved by 20 hours / employee, which resulted in a reduction of the operating result by 28 million lei;
- as a result of the full use of labour time, the operating result increased by 294 million lei. This situation was caused by the increase of the number of employees by 50 employees, while the average time per employee was not reached by 20 hours / employee, which resulted in a reduction of the operating result by 28 million lei.

By enhancing the average profit analysis for 1 leu exploitation income through indirect factors, the following results:

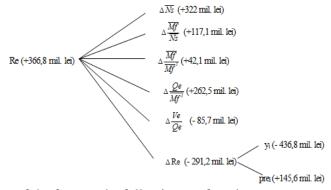
- the modification of the exploitation income structure took place in favour of the types of activities, which provided a profit of 1 leu less operating income than the average programmed at the level of the entity, which generated the decrease of the operating result by 436.8 million lei;
- the profit per 1 leu of exploitation income per type of activity influenced the result of exploitation in the sense of increasing it by 145.6 million lei, which shows that the types of activities that have a decisive share in the incomes from exploitation, which have registered a positive evolution (Ivei> Icei). This situation is mainly determined by the production sold and, at its level, the reduction of unit costs and the increase in average unit sales prices.

According to the model "b" analysis, the system of factors is:



This model of analysis is recommended to be used by manufacturing entities that have an important technical and material basis. To measure the influences of the factors on the phenomenon used, the chain substitution method (the variant produced by factors).

Based on the data in Table 1, the following factors were determined:

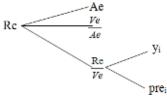


Analysing the influence of the factors, the following are found:

- the increase in the number of staff by 50 has the effect of increasing the exploitation result by 322 million lei. This influence is judged to be justified by the increase in the volume of activity in the conditions of increasing labour productivity;
- the increase of the labour endowment by 0.5 million lei/ person led in the given conditions to the increase of the exploitation profit by 117.1 million lei;
- the increase of the direct productive fixed assets by 1% compared to the planned level is reflected in the increase of the exploitation result by 42.1 million lei; million lei, so iQe> iMf. This situation can be determined by increasing the use of production capacity, improving product quality, etc.;
- the value of the output of the exercise was reduced by 0.01 lei, leading to a decrease in the operating result by 291.2 million lei.

The interpretation of the action of indirect factors acting through the average profit to 1 leu in operating income is done in the same way as for model 1.

According to the "c" analysis model, the factor system is the following:



The value of operating assets reflects the value of non-current assets and of assets related to the operating cycle. The size of operating assets determines the amount of output of the exercise, operating income and operating profit.

The Ve / Ae indicator represents the average operating income per 1 leu of exploitation assets and reflects the efficiency of the exploitation assets. The increase in the value of this indicator can be achieved by accelerating the rotation speed of circulating exploitation assets, improving the quality of products, etc.

3.2. Factorial analysis of the profit afferent to the turnover

In the case of production entities, for the factorial analysis of turnover profit, the following models are recommended:

a)
$$P = \sum qvp - \sum qvc$$
 b) $P = \sum qvp \left(1 - \frac{\sum qvc}{\sum qvp}\right) = CA \cdot \overline{pr}$ c) $P = T \cdot \frac{\overline{Mf}}{T} \cdot \frac{CA}{Mf} \cdot \frac{Pr}{CA}$

The analysis of turnover profit is made using the data in the table below:

Table no. 2 Analysis of turnover profit

NO.	INDICATORS	SYMBOL	EXPECTED	ACHIEVED
1	Turnover assessed in sales prices, VAT excluded	$\sum qvp$	20,000	21,000
2	Total expenditure afferent to turnover	$\sum qvc$	18,000	19,135
3	Effective volume of sold output assessed in expected average prices	$\sum q v_1 \cdot p_0$	-	21,740
4	Effective volume of sold output assessed based on expected costs	$\sum qv_1\cdot c_0$	-	19,457.5
5	Amount of profit afferent to turnover	Pr	2,000	2,365
6	Average profit for 1 leu turnover (lei)	\overline{pr}	0.10	0.11

Source: drawn up by the author

According to the model "a" analysis, the system of factors that act on profit is the most important:

where:

qv - is the physical volume of the sold product;

y - the structure of production sold on products;

c - full unit costs;

p - average unit sales prices, VAT excluded.

The factorial analysis of the profit afferent to turnover supposes:

 $\Delta P = P1 - P0 = 2365 - 2000 = +365 \text{ mil. lei}$

of which, due to:

1. the influence of the change in the physical volume of the sold production:

$$\Delta qv = P_0I_{av} - P_0 = 2000 \cdot 108,7\% - 2000 - +174 \text{ mil. lei}$$

$$I_{qv} = \frac{\sum qv_1 \cdot p_0}{\sum qv_0 \cdot p_0} \cdot 100 = \frac{21740}{20000} \cdot 100 = 108,7\%$$

2. the influence of the change in the structure of production sold on products:

$$\Delta y = (\sum q v_1 p_0 - \sum q v_1 c_0) - P_0 I_{qv} = (21740 - 19457, 5) - 2000 * 108, 7\% = +108, 5 \text{ mil. lei}$$

3. the influence of unitary cost:

$$\Delta c = (\sum qvi_1p_1 - \sum qv_1c_1) - (\sum qv_1p_0 - \sum qv_1c_0) = -(\sum qv_1c_1 - \sum qv_1c_0) = +322,5 \text{ mil. lei}$$

4. the influence of the change in average unit sales prices, VAT excluded

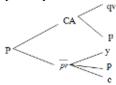
$$\Delta p = (\sum qv_1p_1 - \sum qv_1c_1) - (\sum qv_1p_0 - \sum qv_1c_1) = \sum qv_1p_1 - \sum qv_1p_0 = -240 \text{ mil. lei}$$

At the end of the analysed period, compared to the level set in the revenue and expenditure budget, there was an increase of turnover by 365 million lei and 18.25%, respectively. The increase in turnover profit affects the exploitation result, the current result, the gross and net result of the year.

Analysing the influences of the factors, we find the following:

- exceeding the physical volume of production sold by 8.7% results in a profit increase of 174 million lei. The influence of the volume of production sold shows that there is demand for the production of the entity, i.e. the market is not saturated;
- the structure of the turnover influenced the profit in the sense of the increase by 108.5 million lei, a situation which is explained by the increase of the share of the products sold at which rates of profitability were expected higher than the average rate per unit total and the decrease of the share of the products with rates expected lower returns than the average programmed rate per entity;
- the full unit costs exerted a positive influence on the profit, causing it to increase by 322.5 million lei, a situation caused by the decrease of the costs of the products having the main weight in the total sales.
 - The influence of costs is appreciated as favourable provided that the quality of the products sold has not been affected. This positive situation may be the result of increasing productivity, reducing specific consumption, increasing the use of production capacity, etc.;
- the sales prices were reduced compared to the level provided for the varieties holding the majority weight in the turnover and determined the decrease of the profit mass by 240 million lei. This situation can be determined by the decrease in the product quality level (in which case the appreciation is negative) and by the action of the conjuncture factors (higher supply than demand, lower purchasing power of customers, etc.).

The system of factors acting on the appropriate profit, model "b", is the following:



The methodology of factorial analysis of profit implies:

 $\Delta P = P1 - P0 = 2365 - 2000 - +365$ million lei

of which, due to:

1. the influence of the turnover change: $\Delta CA = (CA1 - CA0)^* = +150$ million lei

of which, due to:

1.1. the influence of the change in the volume of sales sold:

$$\Delta q v_1 = (\sum q v_1 p_0 - \sum q v_0 p_0) \overline{p r_0} = +174 \text{ mil. lei}$$

1.2. the influence of the change in average unit sales prices:

$$\Delta p = (\sum qv_1p_1 - \sum qv_1p_0)\overline{pr_0} = -24 \text{ mil. lei}$$

2. influence of the change of the average profit to 1 leu turnover:

$$\Delta \overline{pr} = CA_1(\overline{pr_1} - \overline{pr_0}) = +215$$
 mil. lei

of which, due to:

2.1. the influence of the change in the structure of production sold on products:

$$\Delta y = CA_1 \left[\left(1 - \frac{\sum q v_1 c_0}{\sum q v_1 p_0} \right) - \left(1 - \frac{\sum q v_0 c_0}{\sum q v_0 c_0} \right) \right] = CA_1 (\overline{pr} - \overline{pr_0}) = +107,5 \text{ mil. lei}$$

1.2. the influence of the change in average unit sales prices:

$$\Delta p = CA_{1} \left[\left(1 - \frac{\sum qv_{1}c_{0}}{\sum qv_{1}p_{1}} \right) - \left(1 - \frac{\sum qv_{1}c_{0}}{\sum qv_{1}p_{0}} \right) \right] = CA_{1} (\overline{pr''} - \overline{pr'}) = -215 \text{ million lei}$$

1.3. the influence of the change in unit costs:

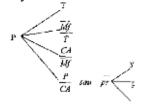
$$\Delta p = CA_{1} \left[\left(1 - \frac{\sum qv_{1}c_{0}}{\sum qv_{1}p_{1}} \right) - \left(1 - \frac{\sum qv_{1}c_{0}}{\sum qv_{1}p_{1}} \right) \right] = CA_{1} (\overline{pr_{1}} - \overline{pr_{1}}) = +322,5 \text{ million lei}$$

The increase of the profit related to the turnover was obtained in the proportion of 41.1% on account of the increase of the turnover and in the proportion of 58.9% on account of the increase of the average profit to 1 leu sales.

Turnover increased to 1,500 million lei, contributing to a profit increase of 150 million lei. Studying in depth the influence of the turnover through the two factors of the second degree, it is noticed that the physical volume of the sold goods has positively influenced the increase of the profit by 174 million lei, while the decrease of the average unit sales prices had the effect of decreasing the profit with 24 million lei.

The increase of the average profit for 1 leu sales by 0.01 lei, which signifies an increase of the rate of commercial profitability at the enterprise level by 1%, resulted in an increase of turnover profit by 215 million lei. The influences of the indirect factors that act on the profit through the average profit at 1 leu turnover (structure, prices, costs), are interpreted similar to the model presented above (model "a" analysis).

According to the model "c" analysis, the system of factors is the following:



where:

T - represents the total labour time;

 $\frac{\overline{Mf}}{T}$ - represents the degree of technical endowment of labour;

 $\frac{CA}{\overline{Mf}}$ represents the efficiency of the use of fixed assets, expressed as average sales of 1 leu fixed

assets.

4. Conclusions

The notion of "profit" is used in economics in an accepted form. The simplest and most recognised definition of profit is the difference between total income and total cost. The capitalist economic system, the capitalist civilization as a whole, the civilization of profitability highlight vital values such as: individual achievement of success, individualism and acceptance of self-interest, devotion to activity and work in general, efficiency and pragmatism, moral orientation, freedom, equality, material comfort, external conformism, reason and morals in addressing any problem.

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Demographic Evolutions Premise for Digital Innovation in Health

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Abstract

Whether we like it or not, technology has become part of our lives and, at the same time, it has undoubtedly helped people become more informed and connected. Reducing healthcare costs and improving patient outcomes are benefits of implementing modern technologies in the medical sector. Digital health can significantly improve the productivity of an organization or nation, including at the individual level, and if digital healthcare solutions are made at an affordable cost, digital health could be a response to emerging market challenges to grow sustainable and improve health systems to provide patient-centred care, meaning accessibility and quality.

This paper assesses trends in demographic evolution and their influence on digital health innovation as well as emerging trends as a result of healthy aging.

Key words: digital innovation, demographic change, welfare, well being

J.E.L. classification: I31, J11, O30

1. Introduction

The increase in longevity, as observed by the analysis of demographic developments, requires the introduction of digital technologies to lay the foundations of modern health services to ensure an inclusive society among older adults.

A vision on aging populations is based on actions and investments that support healthy aging, especially using innovative technologies.

On the other hand, a correct implementation of digital innovations can have remarkable results in terms of the evolution of a country's demographic structure. An immediate effect is to reduce the aging of the population by keeping the aging population independent and looking for solutions to keep it as active as possible. The digital economy emphasizes the ways in which older people can benefit from the benefits of modern technology in healthcare, Telehealth, Telemedicine, Connected Health etc.

The development of the silver economy implies, for people older than 60 years, an inclusive work and inclusive life environment based on technological innovations applied in any field.

The reconfiguration and adaptation of political and social institutions to the scale of demographic change and the evolution of quality of life in the 21st century is necessary for long-term economic and sustainable growth, providing the silver generation with healthy and productive living conditions. In this sense, the evolutions of the demographic structures are fundamental in the elaboration of programs and strategies for economic and social development.

As mentioned above, the current population is in sharp decline because of demographic aging, on one hand, but also as a result of the decline in fertility and the increase in emigration, on the other hand, which are normal demographic phenomena for a developing country. In this context, Romania is confronted with complex economic and social consequences, with a population in a process of demographic-aging, similar to that of the European Union (EU).

As for the number of Romanians leaving the country, we are talking about 3.4 million people in 2007-2017, a value that places Romania second in the world, after Syria, from the point of view of emigration, according to United Nations (UN) data. It should be mentioned that the analysis of the data from the UN migration reports refers to the fact that the Romanian Diaspora size has a significant weight only in relation to the total population of Romania, not globally.

In the case of Romania, we cannot say that the number of immigrants compensates for the number of emigrants because at the end of 2017 117000 foreigners were established in Romania, 3900 being persons with international protection, other types of protection or refugees.

Romania has the fewest non-EU residents, about 0.3%, so our country is on the last place in the European Union from this point of view, followed by Slovenia and Slovakia.

The National Council of the Elderly People, in its report "The Elderly Population of Romania in the Horizon of 2060" from May 2014, pointed out that "the effect of the aging process has been felt in Romania since 1 January 2000 when the young population was overcome numerically by the elderly population, this phenomenon still increasing and on 1 January 2012 the share of the young population was exceeded by the share of the elderly population (16.1% versus 15.8%) ".

The intensity of these phenomena is increasing, with implications and effects in society being significant. The evolution of the employed population and of the active population must be known because it is necessary to substantiate the economic and social development strategies.

2. Population and demographic structure

Based on the official data from the National Institute of Statistics (NIS) statistics, using the age pyramid, an analysis of evolution and dynamics of population structure on age groups is observed, as evidenced by the aging process of the population.

The effects of demographic developments are felt in the long run and bring about changes in the population structure. The age pyramid is a graphic method of visualizing population structure and highlighting long-term fertility and mortality trends and short-term migration. In order to highlight the changes in age structure, age pyramids for the years 1992, 2005 and 2017 were built on the basis of National Institute of Statistics data.

If in 1992 the age pyramid had a "clubs" shape, the population being in the process of demographic rejuvenation, increasing the birth rate as a firm tendency, after an accentuated demographic aging process, in 2005 we see a bell-like graph. Compared to 1992, the base is in compression, suggesting a decrease in the number of young people under the effect of a steady decline in birth rates.

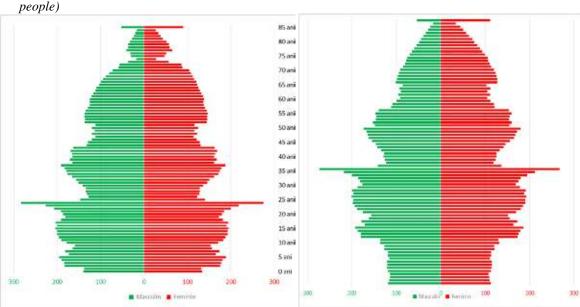


Figure no. 1 Population by residence by age and gender on 1 July 1992 and 1 July 2005 (thousands of people)

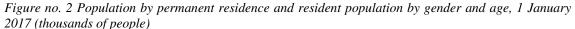
Source: author's processing based on NSI data

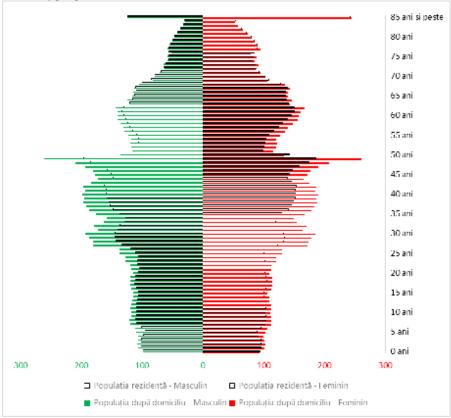
Moreover, there is a significant difference between pyramid spikes, the 2005 peak has been bumped because of the reduction in mortality, both in young and middle ages, which has led to a significant increase in life expectancy. The form of "bell" expresses an aging population with a low proportion of young people and a high proportion of adults and elderly people. It is the consequence of a low birth rate, with a mature age and an obvious aging of the population. This pyramid expresses the demographic vulnerability of the country.

At the level of 2017, the age pyramid has a narrow base, characteristic of aging populations, which means an aging workforce and leading to significant effects on the economy and the labour market.

The representation of the resident population and of the permanent resident population on 1st of July 2017 through the age pyramid reveals a significant difference for the ages of 25 to 50, this range comprising a large proportion of the active population on the labour market. The difference between the permanent resident population and the resident population can be explained through the phenomenon of international migration. Among the permanent residence population and the resident population there is a considerable difference in size, on July 1st, 2017, the first being by 2.61 million people higher than the second.

Using the age pyramid (Figure 2), demographic analysis highlights the aging process based on the structure of the population by permanent residence and the resident population by gender and age.





Source: author's processing based on NSI data

The three diagrams highlight developments in the age structure of the population over the last 25 years, the evolution from a demographic rejuvenation process in the early 1990s to an accelerated demographic aging process in 2017.

The ampleness of the phenomenon of demographic aging is also obvious from the population dynamics recorded for the large age groups for the period 1992-2017. If in 1992 the age group of 65-years-and-over represented 11.01% of the total population, by 2017 it increased by about five

percentage points, reaching 16.11%, while the share of children less than 15 years, which in 1992 was almost a quarter of the total population (22.59%), fell significantly, only to 14.75% in 2017.

The aging of the Romanian population is a phenomenon with a non-uniform distribution on the territorial level. There are areas that focus mainly on the elderly population (usually in rural areas), but also on areas characterized by a high density of the young population, in this case being the poles of economic growth: Cluj, Braşov, Iaşi, Timiş, Constanţa, Prahova, Bucharest, these being attractions for the labour force. The highest population density is in Bucharest (1,827,381 people), Romania's economic growth poles being also characterized by a high population density, as shown in the following figure.

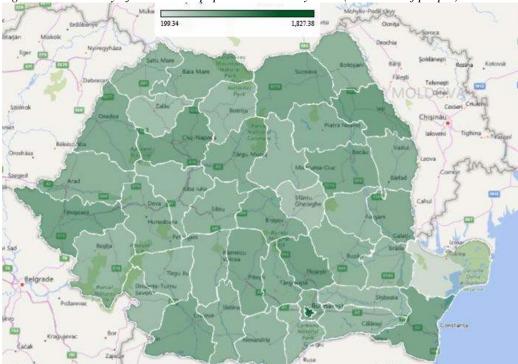


Figure no. 3 Density of the resident population on 1 July 2017 (thousands of people)

Source: author's processing based on NSI data

3. Digital innovation in health "the remedy" of an aging population

According to the NIS, Romania's resident population will be reduced by 2060 to between 3.6 million people and 8.8 million people, and the female population will continue to dominate. In the same context, according to the OECD, the share of the EU population aged over 65 has doubled over the past 55 years, reaching 20% in 2015. It is estimated that by 2060 it will rise to nearly 30%.

Demographic change is reflected in socio-economic changes, and the changing ratio between the "working" population and the "inactive" population raises the question of how to maintain sustainable national budgets. In this sense, a reform is needed regarding the provision of social services and healthcare services specific to the elderly.

The way we respond to the needs of a growing number of our population, the inclusion policies that will be created must ensure that the aging of the population remains, on one hand, a valuable attribute, and on the other hand an active contributor to our society.

New technologies can increase the efficiency of our health and care systems, improve the lifequality of the elders, and at the same time create new opportunities for innovators. For incontestable success in digital innovation, multidisciplinary and international collaboration is often required. The current explosion in medical innovation, along with the desire to improve the quality of life and create a better and healthier environment, is matched by the enthusiasm of the young generation of inventors and entrepreneurs who want to make a profit. In other words, reinventing our health and social care systems, the innovative technologies and new ICT services can help us provide better and accessible care for all.

In 2015, at the OECD initiative, the first workshop on the Global Coalition Aging was organized. It brought together leaders from a variety of sectors to discuss the connection between innovative technology, big data and cognitive decline.

In March of the following year, in the work on aging technologies gracefully, the council of counsellors of the president for science and technology, in the United States identified three areas in which older adults can interact with technology: emotional health, cognitive ability and physical capacity.

Identifying technologies and top trends within each category has the potential to prolong longevity and delay the onset of aging by supporting physical and mental well-beings.

Table no. 1 Technology and healthy aging

Technological	echnology and healthy aging	T
focus area	Impact of healthy aging	Emerging trends
Social Connectivity and Emotional Health	The social isolation, the traumatic events and the genetic factor play an important role in the degradation of mental health, but Selwyn (2015) demonstrates, with the help of subjective indicators, that increased eudaimonia well-being can extend longevity. New technologies for social connectivity and emotional health have a powerful effect on mental health among older adults. They encourage and facilitate social interactions and emotional contact through personal or virtual communities, thus stimulate community commitment in addition to improving health, thus reducing the risk of disability and death. Focusing on technologies specific to older adults on their interaction with the rest of the community can provide social engagement, employment opportunities and volunteering, or access to information and services.	Teaching elderly people to use technology to interact with their caregivers. Nurses play a role as mediators between the use of technology and better social connectivity and emotional health.
Cognitive ability	The deterioration of cognitive capacity is caused by social, emotional and physical feelings. The use of stress relieving technologies or monitoring alcohol concentration and consumption can help reduce cognitive impairment. Technologies like as remote patient monitoring or cognitive medical applications target specific cognitive functions. Monitoring sensors follow patterns of activity to detect unusual changes or patterns that may indicate cognitive decline.	The use of cognitive health applications, "brain training", that can improve memory by supporting attention. Supporting the independence of older adults based on Artificial Intelligence technologies. Older adults can benefit from cognitive training in terms of memory, reasoning and better processing speed, albeit at a slower pace than younger adults, and improvements can be sustained over time.
Physical ability	Practicing exercise regularly, leads to improved cardiovascular, aerobic capacity and reduces systemic inflammation. Technologies that support physical capacity focus on ensuring mobility among older adults and can help prevent musculoskeletal disorders, dementia and cognitive decline.	Using technologies that support the maintenance of sensory experiences. Use of sensory technologies that support hearing, seeing and touch functions and those that detect and prevent falls by using prosthetic devices and robot assistants. Supporting mobility by improving access to health services through Telehealth.

Source: Global Agenda Council on Ageing - World Economic Forum (WEF)

4. Conclusions

Decreasing birth rates and increasing life expectancy lead to an aging population requiring higher health care resources. If this trend has been observed for many years in rich countries, now ,the aging population can no longer be postponed, as it is being visible in emerging economies.

Population aging is a global phenomenon, so it is very important, if we have added years of life, to think about how we can improve the quality of life in these years. This is possible through policies protecting elder adults.

On the other hand, the fourth industrial revolution brings new technologies that offer a new perspective to the silver generation. Wide-scale deployment and adoption of technologies combining a variety of solutions and maintaining a strong protection of privacy and security for elder adults and their carers requires an effective, intuitive, accessible and inclusive approach. In partnership with older people, modern applications and technologies will have the potential to increase independence, support aging at home and reduce long-term care costs.

Technologies that combine a variety of solutions and maintain a strong protection of privacy and security will prevail.

It is time to make sure that our grandparents and our parents will live a long and active life, aging being seen as a stage of a productive and prosperous life and not as a burden.

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Analysis of Demographic Change in Romania Using Quantitative Methods

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Abstract

Demographic aging in the European Union will have a major impact and importance in the coming decades. Major changes, such as increased life expectancy and a permanent decrease in natality rates, seen in the structure of the demographic pyramid in the European Union (EU), can lead to one of the most significant demographic changes by reconfiguring the structure of the population in a more aging one, increasingly evident in many EU countries.

To highlight the differences in demographic change between the eight regions of Romania, the dispersion analysis (unifactorial ANOVA) is used. In order to observe the time differences regarding emigration from the regions, data from 2012 and 2016 were used.

Key words: Demographic structure, ANOVA, Principal Component Analysis

J.E.L. classification: C38, J11, J14, O11

1. Introduction

Population and the economy were considered relatively independent domains, demographic analyses being made in terms of the economic situation in time and space, until the second half of the 20th century, when the economies' developments pointed out that the demographic evolution cannot be studied outside of the economic one.

The main demographic trends at European level are: population growth aged 65 and over; population growth aged 80 and over; declining active population and aging workforce; the decline of the 15-24 age group. Population aging is already a global phenomenon, and despite the differences in intensity and rhythm, all European societies have or will have to cope with the same trends in decline and demographic aging. As a result of falling natality rate and increasing life expectancy (Harper, Leeson, 2009), will result an aging population emerge globally, a phenomenon with multiple implications in both economic and social sectors.

The paper presents the demographic analysis of the age structure and the evaluation of the aging process in Romania in the European context and the evaluation of the change in age structure of the population. At the same time, the paper aims at identifying the correlations between certain demographic phenomena based on multivariate analysis.

2. Romania in the European context

2.1. Fertility in Romania compared to the countries of Europe

Romania is in the penultimate place among the countries of the EU in 2012 when it comes to the number of children born to a woman (fertility rate). With the national average of 1.25 children / woman, Romania is at a short distance from Hungary (1.23) and far away from the fertility rate that would keep the current level of the population (it would take 2, 1 children / woman). This aspect

has not only social but also economic implications from a population perspective that should contribute both to the development of the country and to the support of non-working people.

According to Eurostat data in 2012, Ireland ranks first in the European fertility ranking nationwide, with a score of 2.05, followed by France by 2.01 and the UK by 1.96. There are northern countries (Sweden-1.90, Finland-1.83 and Denmark-1.75), suggesting a direct link between the standard of living and the number of births.

The exception that confirms the rule is the ninth state that completes in 2012 the third of the countries above the EU average to the specific indicator on the number of children, namely Lithuania (1.76). In fact, two other members of the European Economic Space, Iceland (2.02) and Norway (1.88), come to confirm this assertion.

2.2. Population structure

The working-age population is a declining percentage within the European Union and the percentage of those who retire is rising. Because of the aging of generations born in the post-war period, the population will be made up of elderly people in a significantly increased proportion in the coming decades. As is to be expected, this will directly result in an increase in the effort that older workers make in connection with covering the social costs needed to support the aging population.

From the analysis of the demographic structure on the 1st January 2016, we note that 19.1% of the total population of the European Union (estimated at 510.3 million) is the proportion of people aged 65 or over, indicating an increase of 0.3% compared to 2015 and 2.4% compared to 2006. People aged 15-64, 15-64% of the population, while young people under 15 years are in a percentage of 15.6% of the total.

In 2016, the country with the largest proportion of young people in the European Union is Ireland with 21% and the lowest figure in Germany - 13.2%. The weight percentage of older people (aged at 65 years and over) in the total population was high in Italy - 22%, Greece - 21.3% and Germany - 21.1% and the lowest in Ireland - 13.2%. In 2016, Romania was decreasing with the share of young people compared to 2006 (15.5% vs. 16.9%) and that of persons over 65 years of age compared to the same reference year (20.7% vs. 14.7%).

A similar structure of the population to that of the EU can be seen in the European Free Trade Association (EFTA) and candidate countries, with two exceptions: Turkey and Iceland, which have a similar structure to that of Ireland, with a high percentage of young people and a low of people over 65 years. Two other countries with a low elderly population are Albania and the former Yugoslav Republic of Macedonia. Even so, the trend of an aging population is also visible in these countries

On the 1st January 2016, the age of 42.6 years is the median, meaning that 50% of the European Union population is below this age and we see an increase of 0.3 per year at EU level between 2001 (38.3 years) and 2016 (42.6 years). The EU Member States were median ages with variations between 36.6 years (Ireland) and 45.8 years (Germany), showing relatively young and relatively old structures. Note that the smallest values among all EU states were registered in 2016 in Turkey - 31.1 years and Iceland - 36.1 years. A country that also had a low median age is Albania, a country where in the last 10 years the average age increased by 27.9%, meaning 8 years, from 28.7 in 2006 to 36.7 in 2016.

According to Eurostat, the dependency ratio of the elderly is expressed as a "ratio of the relative size of the younger and / or older population to the working age population". In EU Member States, the rate of dependency of the elderly was 29.3% in 2016, which means that four people - aged between 15 and 65 - offered support to the individual aged 65 or over. In the EU level, Ireland, Luxembourg and Slovakia with low elderly dependency rates (20.4%, 20.5% and 20.6%) are noted. On the opposite side we find Italy with 34.3%, Greece with 34.3%, Finland with 32.4% and Germany with 32,%, which is equivalent to about three people working for each person aged 65 years or over.

The total dependency ratio was 53.2% in the EU in 2016. This indicates that about two elderly workers correspond to a supported person. In 2016, among all EU Member States, the lowest total dependency ratio of 42.4% was registered in Slovakia, with the highest rate being in France - 59.4%.

At EU level, the overall dependency ratio trend is on the rise. For example, elderly dependency rates have risen 4.3 percentage points over the past decade (or 17.2% of their previous value) from 25% in 2006 to 29.3% in 2016.

As a result of increase the natality rate in the 1960s, the "baby-boom" effect confers a romboid structure on the age pyramid for the European Union (Figure 1, at the 1st January 2016). Compared to 2001, we notice that the first part of the cohort, born over a period of 20-30 years, is very close to retirement age.

The "baby-boom" generation goes forward to the top of the demographic pyramid, so that the bottom of the pyramid, represented by the working-age population and the base, is becoming narrower.

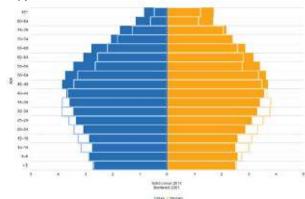


Figure no. 1 Demographic pyramids at EU level, 2001 and 2016

Source: http://ec.europa.eu/eurostat/statistics-explained/index.php/Population_structure_and_ageing/ro

2.3. Trends in population aging in the EU

A decade ago, a long-term population aging trend started in Europe. Analysing the data provided by Eurostat at EU-28 level, for the last 10 years, the population aging process is easily observed in the results of the demographic analysis. Thus, between 2006 and 2016, the population growth is 65 years and over by 2.4 percentage points, while in the 0-14 age group we notice a decrease of 0.4 percentage points of the population share.

The premises underpinning this trend stem from an increase in the share of elderly people - a trend observed in all EU Member States and the European Free Trade Association - coupled with a fall in the share of elderly people (relative to the total population).

Obviously, there is a variation in the EU countries' increase in the share of people aged 65 and over from 1 percentage point or less in Belgium and Luxembourg to 4.5 (Finland) or 5.2 (Malta) percentage points.

One of the reasons that explains the rise in the elder population is the increase in longevity, a trend that has become visible for several decades, as life expectancy has increased.

Often, this evolution is called the "aging peak" of the demographic pyramid.

Another reason would be the steady low levels of fertility over the years that have contributed to the aging of the population, the growing number of births leading to a drop in the proportion of young people in the total population. This process is known as the demographic pyramid's "aging of the base", with a narrow-down in the base of demographic pyramids from the EU-28 over the period 2001-2016.

3. Analysis of demographic changes in Romania using quantitative methods

In order to analyse spatial differences on demographic change and also in order to identify latent links between demographic phenomena, specific methods of data analysis will be used: variance analysis, principal component analysis, multicriterial hierarchy, cluster analysis.

3.1 Identification of regional differences using dispersion analysis

The Anova One-Way method tests the hypothesis that several environments are equal. In order to verify the ANOVA method assumptions, the Levene test was performed and the hypothesis of equal dispersion was accepted, thus the homoscedasticity condition was respected. The null hypothesis for this analysis is that there are no significant differences in the average number of emigrants in the 8 regions of Romania.

Figure no. 2 Test of Homogeneity of Variances

	Levene Statistic	df1	df2	Sig.
Anul2012	14.728	7	34	.000
Anul2016	5.437	7	34	.000

Source: author's processing based on NSI and Eurostat data

The results of the analysis allow the following conclusions to be drawn:

- in 2012, the highest average rate of emigrants was recorded in the Bucharest-Ilfov area, with an average of 15.09, while in the South-West Oltenia region the lowest rate was 7.93;
- there are no significant differences between the regions surveyed in 2012 regarding the emigration rate for a significance level of 5%;
- in 2016, the highest average rate of emigrants is in the Western region of Romania;
- there are significant differences between the regions surveyed only in 2016 regarding the rate of emigration.

3.2. Analysis of the relationships between demographic phenomena using principal component analysis (ACP)

Analysing the relationships between variables that quantify demographic phenomena will be done to reduce the complexity of data and identify latent variables behind the initial variables. The eight variables that come into the analysis are: natural growth; birth rate; mortality rate; fertility rate; marriage rate; average life expectancy; average age at first marriage for male; the average age at the first female marriage was standardized prior to applying the ACP.

Figure no. 3 Correlation Matrix

	Correlation Matrix													
		Rata natalitata	Sporul natural	Rata nupitalbate	Rata mertalitatii	Durata medie a vietii	Rate fedilitati	Varsta medie la prima casatorie Masculin	Varsta media la prima casatorie Faminin					
Correlation	Rata natalitate	1,000	,845	,608,	-,676	,160	,989	-,036	,125					
	Sporul natural	,846	1,000	,586	-,923	,409	,751	,034	,224					
	Rata nuptial tate	,606	,585	1,000	-,461	,243	,480	,232	,405					
	Rata mortalitatii	,576	-,923	-,461	1,000	-,589	-,453	-,077	-,253					
	Durata modie a victi	,160	,459	,243	- 589	1,000	,103	,371	,507					
	Rata fertilitati	,969	,751	,480	-,453	,103	1,000	-,108	,023					
	Varsta medie ta prima casatorio Masculin	-,035	,034	,232	-,077	,371	-,1 08	1,000	,948					
	Varsta medie la prima casatoria Feminin	.125	,224	,405	-,253	,507	,023	,948	1,000					

Source: author's processing based on NSI and Eurostat data

The existence of these correlations is at the basis of the PCA, the choice of the main components being done according to Kaiser's criterion (Saporta, Ștefănescu, 1996), meaning those whose own values are greater than ones that were chosen.

Figure no. 4 Total Variance Explained

	Total Variance Explained											
		initial Elganyalue	2	Extraction Sums of Squared Loadings								
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Dumulative %						
1	4,018	50,229	50,220	4,018	50,229	50,229						
2	2,173	27,165	77,394	2,173	27,165	77,394						
3	,874	12,176	89,670									
4	,407	6,002	95,652									
5	,311	3,891	99,543									
6	,026	,327	99,870									
7	,010	,130	100,000									
8	-8,327E-017	-1,041E-015	100.000									

Figure no. 5 Component Matrix

Component	Matrix ^a	
	Comp	onent
	1	2
Sporul natural	,947	-,206
Rata natalitate	,861	-,392
Rata mortalitatii	-,831	,033
Rata fertilitatii	,766	-,468
Rata nuptialitate	,730	,059
Durata medie a vietii	,545	,472
Varsta medie la prima casatorie Masculin	,260	,896
Varsta medie la prima casatorie Feminin	,453	,852
Extraction Method: Principa	l Component	Analysis.

Source: author's processing based on NSI and Eurostat data

The first component explains 50.2% of the variation of the model, and the second component explains 27.2%, the first two main components explaining 77.4% of the variation of the model, as also observed in the scree plot: his slope of the curve changes of its second own value. According to Cattell's criterion, only the first two main components will enter the model's explanation.

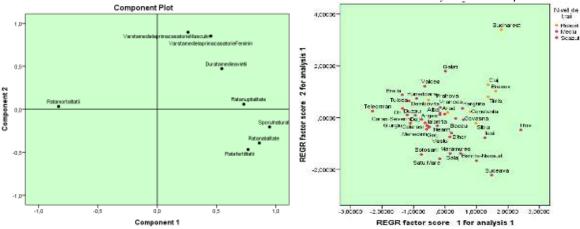
Figure 6 shows a strong positive correlation between natural growth and marriage rate and at the same time, a strong negative correlation between marriage rate and mortality rate.

The county's projection at the level determined by the two principal components is based on the hierarchy of counties according to the standard of living (expressed by seventeen indicators), each county having a score of one to forty-two for each indicator considered (1 representing the best value), and then these scores are summed. Depending on the score obtained, the counties were divided into three categories:

- between 100 and 250 points counties with high living standards;
- between 250 and 450 points counties with average living standard;
- between 450 and 650 points counties with low living standards.

Figure no. 6 Correlations between variables

Figure no. 7 Projection of counties on the plane determined by the two components



Source: author's processing based on NSI and Eurostat data

Figure 7 shows that the first axis discriminates well between counties according to the standard of living, the high, low and medium living levels being well differentiated in the projection on the first axis.

Bucharest, as expected, is first in the ranking by living standards. On the graph, it appears separately from the cloud of points, meaning separately of the rest of the counties, and is characterized by high values of both component one and component two.

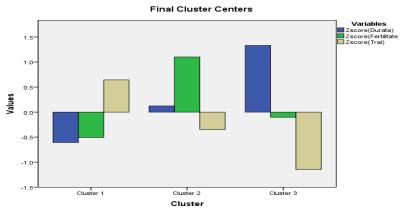
The Cluj, Braşov and Timiş counties occupy the second, third and fourth places in the ranking by living standards and are characterized by high values for *fertility rate*, *marriage rate*, *natality rate and natural increase*.

The counties of Teleorman, Giurgiu and Călărași are situated on the last places in the ranking by level of living and is characterized by small values of the first component (*natural increase*, *mortality rate*, *natality rate*, *marriage rate*, *fertility rate*, *mean life span and mortality rate*).

3.3. Grouping of counties according to quality of life using cluster analysis

Cluster analysis is a type of multivariate analysis that encompasses several algorithms to classify elements or individuals into homogeneous groups. The groups are formed along the way, and the variables or cases are distributed in clusters so that the greatest similarities are between the members of the same cluster and the weaker similarities between the members of different clusters. To accomplish this goal, we primarily consider choosing the distance between elements in the secondary plan, choosing the grouping algorithm, and finally deciding on the level.

Figure no. 8 Final Cluster Centre



Source: author's processing based on NSI data

The analysis realised has, as individuals, the counties in Romania, and the variables used in setting the clusters are: the average life, the fertility rate and the living standard. These variables can provide a broad picture of the quality of life. After standardization of the variables and after running the K-Means Test in SPSS, three clusters were identified:

- Cluster 1 with 22 counties: Maramureş, Satu Mare, Bacău, Botoşani, Neamţ, Vaslui, Brăila, Buzău, Galaţi Tulcea, Vrancea, Călăraşi Dâmboviţa, Giurgiu, Ialomiţa, Teleorman, Dolj, Gorj, Mehedinţi, Olt, Caraş-Severin, Hunedoara;
- Cluster 2 with 11 counties: Bihor, Bistriţa, Sălaj, Covasna, Harghita, Mureş, Iaşi, Suceava, Constanta, Ilfov, Arad;
- Cluster 3 with 9 counties: Cluj, Alba, Braşov, Sibiu, Argeş, Prahova, Bucureşti, Vâlcea, Timiş. Analysing the graph in Figure 8, we see the characterization of each cluster: Cluster 1 has the lowest average life among of the 3, but the highest living standard, Cluster 2 has a higher fertility rate, and Cluster 3 has the average duration lives greatest.

4. Conclusions

The analysis highlights aspects that characterize the demographic evolutions of Romania in the context of the European Union, as well as their implications at the socio-economic level at the territorial level, from 1990 until present.

The ANOVA analysis highlighted the fact that in 2016, the average emigration rate recorded the highest level for the Western region of Romania, unlike in 2012 when the highest average rate was in the Bucharest-Ilfov region.

Based on the selected variables, APC has led to two principal components; the analysis continued with the projection of the counties on the level determined by the two main components, starting from the ranking of the counties according to the level of living. The results show that the first axis, given by component 1 (in positive sense: natural increase, natality rate, marriage rate, fertility rate, mean life span and in negative sense: mortality rate) discriminates well between counties according to the standard of living, the high, low and medium levels of living are well differentiated in the projection on the first axis.

Bucharest, as expected, is first in the ranking by living standards and is characterized by high values of component 1 and component, followed by the counties of Cluj, Braşov and Timiş. On the opposite side, the counties of Teleorman, Giurgiu and Calarasi are characterized by low values of the first component (natural increase, mortality rate, natality rate, marriage rate, fertility rate, average life expectancy and mortality rate).

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Sustainable Practices Applied at the Large Level of Networks Retail in Romania

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Abstract

This paper is related to the evolution of retail trade, except for motor vehicles and motorcycles in Romania during the period 2008-2016, with the highlighting of the turnover, the number of active units, the average number of employees and the most attractive counties for the entrepreneurs, the importance of the subject given its role in the economy.

Another pursued objective is to highlight the evolution of the large networks in this field of activity, analyzing 13 companies, selected on the basis of turnover. We will also identify the most important sustainable development practices for these companies.

Key words: sustainable development, sustainable practices, trade, hypermarket, supermarket **J.E.L. classification:** L81

1. Introduction

The evolution of the retail market in Romania is supported by the continuous development of modern commerce, increasing the purchasing power of Romanian residents and changes in the consumption behavior of the population. (Făcăleață, 2015)

According to the concept of sustainable development of society, trade is of strategic importance for the balanced and viable development of economic and social systems in any country. This trade is a highly complex sector of activity with a high degree of complexity, structured on multiple inland domains, where retail, warehousing and wholesale storage as well as import-export activities provide an important role. In such an approach, trade is one of the most important aspects of modern economy, becoming the main element of the market economy, regardless of its form. (Patriche et al., 1999)

The business field undergoes major changes through the need to include sustainable development objectives in company's strategy. Retail, as a link between producers and consumers, is an important binder in the logistics chains. As such, it has played a major role in influencing both producers and consumers by raising awareness of the principles of sustainable development. Progress in retail trade in the implementation of sustainable development practices is the following: reducing energy and water consumption, lowering greenhouse gas emissions, recycling waste, designing green buildings, selecting a healthy commercial mix, employing human resources responsible. (Coca, 2013)

1995 marks the year when the first network of self-service stores, namely Mega Image, opened its first store in Bucharest, followed by Billa in 1999 and by Profi in 2000 in Timişoara. The first hypermarket was opened in 2001 by Carrefour Romania, and in 2003 Cora joined. Kaufland entered the Romanian market only in 2005, followed by Auchan in 2006, by Lidl Discounter in 2010 and by Supeco Investment in 2014.

2. Theoretical background

In 1987, in the Brundtland WCED Report entitled "Our Common Future", the first definition of sustainable development was formulated as a development that meets the needs of the current generation without compromising the chances of future generations to meet their own needs. (Ministry of Environment and Sustainable Development, 2008)

With the Maastricht Treaty, sustainable development has become an objective of the European Union, and the European Union's Sustainable Development Strategy was adopted at the 2001 Goetheborg Summit.

The first step taken by Romania in the field of sustainable development was the elaboration and approval on November 12, 2008 of the National Strategy for Sustainable Development on the horizon of the years 2013-2020-2030. Sustainable development is currently pursuing the simultaneous development of three pillars: economic, social and environmental.

In terms of trade, Romania has two forms: wholesale and retail. Retail is defined as a form of commodity circulation whose function is to buy goods to resell to consumers or end-users, generally in small quantities and in a state of use. (Patriche et al., 1999)

Table no. 1 The evolution of retail trade, except for motor vehicles and motorcycles in Romania

No.	Specification	UM	2008	2009	2010	2011	2012	2013	2014	2015	2016
1	Active local units	number	139286	125633	116501	104739	107208	107806	109288	106664	105237
2	Number of active enterprises	number	135244	121311	112198	100321	102459	102928	104283	101371	100064
3	Average number of employees	number	536723	469213	445538	454407	452431	457201	447565	445790	456458
4	Turnover	million RON	118184	108515	114962	131244	142631	144609	156098	169097	185794

Source: National Institute of Statistics, TEMPO database, 2018

According to the data presented in table no. 1, the indicators: the number of active local retail units except for motor vehicles and motorcycles in Romania, the number of active enterprises and the average number of employees had a oscillating evolution during 2008-2016, in 2016 registering a decrease with 24.4%, 26.0% and respectively with 15.0% compared to 2008. These indicators are closely related, depending on the evolution of the other. In 2016 the number of active local units reached 105237 in Romania, down with 1.3% compared to 2015 and 100064 active enterprises, registering the same percentage decrease. The average number of employees in these enterprises was 456458 persons, increasing compared to 2015 with 2.4%.

Regarding the turnover in retail trade, except for motor vehicles and motorcycles, we can say that it had an upward trend in 2008-2016, with 57.2%, except for 2009, when it slightly decreased. The value registered in 2016 was 185794 million RON, registering an increase with 9.9% compared to 2015.

In Romania, most of the local units active in retail trade, except for motor vehicles and motorcycles in 2016 can be found in Bucharest, are in a number of 15836 units, representing 15.0% of the total, followed by Cluj with 4.1%, Constanţa with 3.9%, Dolj with 3.7%, Timiş and Prahova with 3.5%, and the fewest units are found in Caraş-Severin with 1.1%, Botoşani and Sălaj with 1.0%, Mehedinţi with 0.9% and Covasna with 0.8%.

■ Bucharest ■ Cluj ■ Constanţa ■ Doli ■ Timiş ■ Prahova ■ Galaţi Argeş ■Ilfov ■ Iaşi Bihor ■Braşov ■ Bacău ■ Buzău Suceava Mureş ■ Hunedoara ■ Neamţ Olt ■ Arad ■ Gori Dâmboviţa Maramures Teleorman ■ Vrancea ■ Vâlcea ■ Sibiu ■ Brăila A 1ba ■ Vaslui Călărași ■ Satu Mare Bistriţa-Năsăud ■ Tulcea ■ Harghita ■ Giurgiu ■ Ialomiţa Caraş-Severin ■Botoşani Sălai Mehedinti Covasna

Figure no. 1. Local units active in retail trade, except for motor vehicles and motorcycles, by counties in Romania in 2016

Source: National Institute of Statistics, TEMPO database, 2018

The city of Bucharest attracts a significant number of units because it is the capital of the country and the wage level and purchasing power are high. Then they turn to cities with a large number of inhabitants, who have attracted the largest investments in the country, which have the lowest unemployment rates and the highest salary amounts.

3. Findings

The most important sellers from retail trade, except for motor vehicles and motorcycles present in Romania and which I will analyze in this article are: Auchan Romania, Carrefour Romania, Columbus Operational (Billa), Kaufland Romania, Lidl Discount, Mega Image, Metro Cash&Carry, Profi Rom Food, Real Hyper Magazine, Rewe Romania, Romania Hypermarche, Selgros Cash&Carry and Supeco Investment. The indicators will be analyzed for the 2008-2017 period so that we can create a meaningful and overall picture.

Table no. 2 Ranking of the top retailers in Romania by turnover (million RON)

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No.	Network name	Format	Year of opening	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1	Kaufland Romania SCS	Hypermarket	2003	2865	3694	4671	5586	6438	7261	7998	9174	9691	10087
2	Carrefour Romania SA	Hypermarket	1999	3800	4353	3919	4031	4288	4289	4562	5149	5674	6749
3	Lidl Discount SRL	Supermarket	2007	1021	1308	1451	1679	-	3375	3887	4724	5578	6510
4	Auchan Romania SA	Hypermarket	2005	1025	1303	1498	1578	1974	2301	3771	4444	4896	5223
5	Mega Image SRL	Supermarket	1994	486	612	884	1221	1757	2340	2816	3563	4325	4910
6	Profi Rom Food SRL	Supermarket	1999	348	490	617	934	1156	1456	1845	2548	3550	4730
	Metro Cash&Carry Romania SRL	Cash&Carry	1999	6015	5747	5278	4963	5035	4732	4489	4494	4357	4730
8	Selgros Cash&Carry SRL	Cash&Carry	1999	3162	3042	3219	3408	3426	3090	2833	2934	3297	3645
9	Rewe (Romania) SRL	Discount	2000	1257	1560	1618	1750	1928	2194	2335	2656	2865	2997
	Romania Hypermarche SA (Cora)	Hypermarket	2002	1469	1395	1377	1378	1462	1638	1712	1723	1744	1773
11	Columbus Operational SRL (Billa Romania)	Supermarket	1997	1192	1222	1142	1127	1267	1359	1411	1510	1476	1257
12	Real Hyper Magazine SRL	Hypermarket	2013	-	-	-	-	-	75	207	249	281	254
13	Supeco Investment SRL	Supermarket	2014	-	-	-	-	-	-	8	49	66	146

Source: Ministry of Public Finances, 2018

From the table above, it can be noticed that the turnover for the 13 retail networks analyzed overall had an increasing trend during the period 2008-2017, increasing with 11.0% in the year 2017 compared to the previous year and by 2.3 times compared to 2008.

It should be noted that Metro Cash&Carry was the only network of analysts that had a fluctuating evolution during the analyzed period, from 6015 million RON in 2008 to 4730 million RON in 2017, thus registering a decrease of turnover with 21.4%; the years 2012, 2015 and 2017 were those in which there was a slight increase over the previous year.

The most up-to-date networks in 2008-2017 are: Profi Rom Food with a fold increase by 13.6 times, Mega Image with a fold increase by 10.1 times, Lidl Discount with a fold increase by 6.4 times, Auchan Romania with a fold increase by 5.1 times and Supeco Investment with a fold increase by 18.3 times in 2017 compared to 2014 when it was set up. This evolution can be attributed to the continuous expansion of the companies through the opening of new units, but also to the increase of the purchasing power of the Romanians.

In 2017, the highest turnover were reported by the following companies: Kaufland Romania 10087 million RON, Carrefour Romania 6749 million RON, Lidl Discount 6510 million RON, Auchan Romania 5223 million RON and Mega Image 4910 million RON, and the smallest turnover was reported by Real Hyper Magazine 254 million RON and by Supeco Investment 146 million RON.

In 2017 Supeco Investment and Columbus Operations were the only companies in the 13 analyzes that recorded a loss of 3 million RON and 85 million RON respectively. The companies with the biggest profits this year were: Kaufland Romania 670 million RON, Lidl Discount 353 million RON, Carrefour Romania 210 million RON, Mega Image 202 million RON and Profi Rom Food 131 million RON. The lowest profits were: Rewe Romania 19 million RON and Romania Hypermarche 4 million RON.

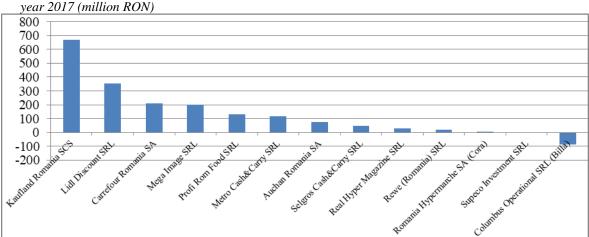


Figure no. 2. Ranking of the main retailers in Romania according to the net profit or loss of the financial year 2017 (million RON)

Source: Ministry of Public Finances, 2018

The average number of employees of the companies surveyed increased with 19.2% in 2017 compared to 2008 and with 5.0% compared to 2016.

According to figure no. 3 it can be noticed that Metro Cash&Carry, Real Hyper Magazine and Selgros Cash&Carry had a oscillating evolution during the analyzed period, but overall the average number of employees decreased in 2017 compared to 2008 with 40.8%; 29.4% (2017 compared to 2013 year of establishment) and with 14.7% respectively.

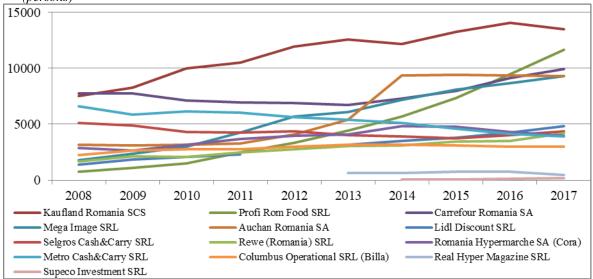
The companies with the highest increases in the average number of employees in the period 2008-2017 are the following: Profi Rom Food with a growth by 15.4 times, Mega Image with a growth by 5.2 times, Supeco Investment with a growth by 3.7 times (compared to 2014), Lidl Discount with a growth by 3.5 times and Auchan Romania with a growth by 2.9 times.

The analyzed modern networks with the highest average number of employees in 2017 are as follows: Kaufland Romania 13519 persons, Profi Rom Food 11662 persons, Carrefour Romania 9939 persons, Mega Image 9313 persons and Auchan Romania 9290 persons. The smallest

employees are Real Hyper Magazine 461 persons and Supeco Investment 180 persons, due to the small number of units open to the other companies under review.

Figure no. 3. Ranking of the main retailers in Romania according to the average number of employees (persons)

5000
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Source: Ministry of Public Finances, 2018

The major networks of modern commerce have begun to focus on and implement various sustainable development policies by undertaking a series of actions to protect the environment, education and last but not least, social and charitable projects. In the following I will present the actions taken by the companies analyzed, the data being downloaded from their websites:

- Auchan Romania: conducts various training programs for its employees; develops a wide range of organic products; undertaking programs for the selective recovery of bulbs, neon, spent batteries, PET's and aluminum dosages; triage internal waste and have introduced lighting systems and refrigerated showcases that allow for substantial energy savings. They have been involved in projects with SOS Children's Village, they have carried out the "Green Day" action when 50 trees were planted in each hypermarket and developed the "School-after-School" project.
- Carrefour Romania: company employees benefit from continuous training programs. In terms of environmental protection they use 100% biodegradable bags, are concerned with the recycling of used batteries and through the project "Sigurec" provides separate collection of over 10 recyclable materials. They are involved in the projects "Every child in the garden" alongside OvidiuRo, the "Food Bank" alongside the Red Cross and "Samusocial" that provide help to homeless adults in Bucharest.
- Kaufland Romania: uses refrigeration and air-conditioning multi-compressor installations that allow them to heat almost entirely the waste heat storage compartments from the cooling racks; has proposed to eliminate by the year 2020 the use of chemically processed textiles in the production of clothing, textiles and shoes sold under its own brand; use uniforms for employees of organic cotton; sells FSC-certified shopping bags; undertaking recycling of PET, glass, and aluminum dosages by automatic machines located in parking stores; have launched the first network of community urban gardens together with the Association of the Research Institute for Permaculture in Romania; have created a public network of electric car charging stations. They present a social responsibility report. Kaufland is involved in the project "Let's Get Green", which aims at ecological education and in the project "I'Velo Urban" to launch the first authorized bicycle rental stations.
- Lidl Discount: they have focused on the use of renewable energy; recycling and selective collection of waste, and last but not least, invest in employee training projects. They present a sustainability report showing that their own branded foods hold one of the certifications of IFS, BRC, FSSC; have supported various community development projects with over 7 million RON.

- Mega Image: build electrical charging stations; expanded the "Romanian Tastes" Project to 73 local producers; the packaging of these products is FSC; collect and recycle waste; invest in employee training programs; is involved in programs such as "Samilia" campaign against trafficking in human beings and in the program "Filling boots Santa Claus does not reach". They have a sustainability report.
- Profi Rom Food: installed 240 photovoltaic panels on the roof of the Lipova store and takes action to collect and recycle waste. The social projects in which is or was involved are "Christmas for Everyone" and "MagiCamp".
- Romania Hypermarche: carries out waste recycling actions.
- Selgros Cash&Carry: engages in projects such as "Health Starts From the Plate" that seeks to educate the young generation in adopting a healthy diet, "The Mass of Joy" by which to donate basic food for the underprivileged and needy families in partnership with the Romanian Patriarchate.

4. Conclusions

From the analyzed data in this article it can be noticed that the number of active retail units, except for motor vehicles and motorcycles in Romania, the number of active enterprises and the average number of employees, decreased with 24.4%; 26.0% and with 15.0% respectively in 2016 as compared to 2008, and the turnover increased with 57.2% over the same period.

In Bucharest there are most active local units, followed by Cluj, Constanţa, Dolj, Timiş and Prahova, at the opposite end being Caraş-Severin, Botoşani, Sălaj, Mehedinţi and Covasna.

Regarding the 13 companies surveyed, I mention that Metro Cash&Carry was the only network that registered a 21.4% decrease in turnover between 2008-2017. Kaufland Romania ranks first in the rankings of the companies surveyed, with a net profit of 670 million RON and a turnover of 10087 million RON. The following two places are being discussed by the companies Carrefour Romania and Lidl Discount, which had a net profit in 2017 of 210 million RON, respectively of 353 million RON and a turnover of 6749 million RON, respectively of 6510 million RON. Companies that had losses at the end of the financial year 2017 were Columbus Operational with 85 million RON, loss due to the integration of Billa's stores in the chains owned by Carrefour Romania and Supeco Investment with a loss of 3 million RON, mentioning that it succeeded to register an increase in turnover from 8 million RON in 2014 to 146 million RON in 2017. It is worth mentioning that for Real Hyper Magazine 2017 was the only one in which this store had a profit of 32 million RON, since its establishment.

In conclusion, we can say that at the level of the Romanian retail networks, the concern about the application of the principles of sustainable development starts to increase, focusing on the selective collection and recycling of waste, the use of renewable energy, the purchase of biodegradable materials, the continuous training of employees and the involvement in various social actions.

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Innovation Top Profitability Growth Contribution

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Abstract

In the context of new macro trends dynamics it is of utmost importance to be able to show sufficient flexibility in order to address consumer needs. Innovation, as one of the key pillars of profitable growth, means allocating sufficient resources to R&D in order to match consumer expectations and coming up with the best configuration of product attributes to provide the most balanced value for money proposition.

Besides addressing the macro trends, as we will highlight the premiumization topic below, it is also very important to keep an eye for the full portfolio availability in order to have sufficient scale of profit to be able to fund the innovative approaches.

Regardless of the industry (pharmaceuticals or beer) it is obvious that the lifecycle of a product becomes shorter and the need to act innovative becomes critical to add additional margin to a company's P/L.

Key words: innovation, profitability, product, market

J.E.L. classification: M2

1. Introduction

Innovation is a process through which organizations have been able to grow economically through changes of products and processes with the goal of implementing and using new types of products, means of production, logistics.

Innovation is influenced by the nature and degree of change in the economic environment, with manufacturers being forced to adapt to the realities on the market.

For organizations capable of seeing change, the global market offers many opportunities and challenges. With all these changes, arise the risk of the evolution of consumer preferences and cultural differences.

The objective of the topic is to outline a model for the implementation of innovation steps in an efficient way by organizations active in the consumer industry improving also the profitability of the company.

The aim of the research is to provide concrete, solutions for managing managerial problems related to creativity and innovation in organizations, considering that the development of products, processes and new services is a crucial component of competitiveness in the current context, being the most effective way to improve profitability of the company.

2. Theoretical background

A summary that reflects today's economic reality comes from Peter Drucker, who defines innovation as "the specific tool of an entrepreneur manager, the means by which he exploits change as an opportunity for different businesses or different services."

The notion of *innovation* from an economic point of view was first analyzed by the Austrian scholar J. A Schumpeter in the first decade of the 20th century in his Theory of Economic Development.

Innovation is defined as "all changes to the purpose of implementing and using new types of products, means of production and transport, outlets and forms of organization of the production process." It is therefore admitted that innovation embraces five types of activities, namely: the creation of a new product; the introduction of a new manufacturing method; entering a new market; the use of new raw materials; a new organization of the company. A definition of innovation that incorporates both products and services and processes (in marketing, systems and operational) was formulated by G. Pinchot and R Pellman: "innovation is both the creation and the bringing into use profitable technologies, new products, new services, new marketing ideas, new systems and new operating paths."

A recent interpretation of innovation by Goffin and Mitchell demonstrates that it is influenced by the nature of change, the degree of change, the source of change.

The innovation process is implemented differently in each company. They, as needed, create their own business model.

The business model described by Osterwalder describes how an organization creates, distributes, and captures value. In order to get profit from an innovation, the business must achieve performance both in product innovation and business model innovation, understanding both the strategic / design options of the business and the needs of customers and technological trajectories, following Teece results.

3. Research method

The research methodology developed during the writing of the article was, as follows: identification of the bibliography representative of the topic chosen, it's study and the comparative analysis of the different opinions in the field, especially on the beer industry.

Going through all the documents has involved the use of library resources, databases such as Nielsen retail data which helped me determine the influence of different factors on business models.

The research has gone through several preliminary stages - identification of classical and electronic bibliographic sources, filtering material, construction of working hypotheses to be validated during the research.

4. Analysis

Regardless of the industry in which it operates, a company must be able to anticipate the future and plan its products and services strategy to compete in a fast-moving market. There is a close link between the performance of an organization and its ability to launch new products on the market. All new organizations were born through the development of innovation, comparing and competing with existing competitors on the market.

For example the beer company MolsonCoors took into account the company's expansion over the years, it has diversified and increased its product portfolio both through innovation and through acquisitions, bringing with them, both research and development experience and products in other markets outside the country, which will also be launched in Romania.

Bergenbier SA, part of MolsonCoors, is one of the top three players in Romania, with a market share of 16% (Nielsen Retail, 2016). The main competitors on the market opted for a strategy to reduce the competitive pressure by strengthening portfolios in different market segments, namely purchasing according to preferences and the power of the the Following the acquisition of Bergenbier by MolsonCoors, the Romanian company has increased its product portfolio by addressing all types of consumers: diversity and quality, these are the characteristics of the Bergenbier SA portfolio, which includes brands that cover all segments of the market and strives to become the first choice for anyone who wants to enjoy an exceptional beer. Innovation and attention characterize each activity, from the observance of recipes specific to each beer and the fulfillment of the promise of a unique taste especially to the hundreds of years of casting and serving rituals or the special experience of moderate consumption in the context of special events.

For a company to be competitive in the market and to innovate, must know the relevant market in which it activates and its main competitors. "The relevant market is the market on which the competition takes place and is used to identify products and businesses that are in direct business competition. It includes a product or group of products and the geographical area where they are produced. The relevant market has two components: product market and geographic market." (Official Monitor, 2004)

The relevant market of a product is built by all the similar products from the point of view of their characteristics, price and usage. They are the ones on which the consumer directly exercises his buying decision.

The relevant product market is identified by an analysis of the products in that market, taking into account several factors such as price, demand elasticity and substitutability.

The products that can be achieved by expanding production capacities or by modifying production lines are those that manufacturers decide to make, being also economically acceptable, and succeeding in replacing certain products with the relevant market within a short period of time.

Innovation can be achieved both as a way of production and as services. Innovation in services (eg transport, distribution, logistics) brings innovation to production (zero stock, bar code identification - for big chain stores, easy transport, fast delivery). All these innovations attract investment in areas such as marketing, financial engineering, professional engagement, consulting, scientific research.

An interested definition has been proposed by the Finnish Funding Agency for Technology and Innovation: "Service innovation is a new or significantly improved service concept that is being adopted in practice. This can be, for example, a new channel of customer interaction, a new distribution system or a new technology concept or a combination of them. A combination of services always includes reproducible elements that can be systematically identified and reproduced in other cases or environments." (Bart van Ark et al., 2003).

The relevant geographic market includes the area where the economic agents involved in the delivery of the products included in the product market are located, the area where the competition conditions are sufficiently homogeneous and can be differentiated in the neighboring geographic areas due, in particular, to substantial competitive conditions. Similarly, the notion of geographic market also refers to services. (Official Monitor, 2004)

Carrying out a complete market analysis is an essential thing to help shape the strategy of a company, along with finding the need for internal and external resources, planning each stage of innovative development. Because innovation is a complex process, this involves resource investment internally and externally. Innovation is associated with increasing productivity and the number of employees.

One of the most important sources of innovation that is found outside of the organization is the user. Its needs can serve as a starting point for developing, improving and / or designing new, more competitive products and services. As they have the appropriate skills, users can not only offer a market-friendly innovation environment to consumers but also solve unforeseen problems and participate in the development of products and services themselves.

The consumer is the one who can best observe and analyze a product because it uses it, and, because it looks at everything from the outside of the image, it discovers certain sides of the product that do not fully satisfy it. Thus, the company's specialists can meet their ideas and they can apply or adapt them so that they can be put into practice. As a strategic goal, the company must aim to have a partnership between it and the consumer in terms of the innovation process. (Kusiak, A., 2007)

The market analysis of products in terms of attractiveness in the market is based on certain indicators: market competitiveness and attractiveness, product lifecycle and product competitiveness. The most used analysis model for identifying the most profitable products, the ones to be developed or those in which should be developed or to which should be abandoned is the Boston Consulting Group method.

In order to be competitive on a market, companies must have a better planning, a clear marketing strategy for each product, so that the consumer is faithful to the brand both in the short term as long term. Consumer knowledge is essential in achieving the strategy. The decision to buy the consumer is influenced by both marketing campaigns and other features (for example, the

price).

"No matter how good a product is, it will not be sold, and the consumer will not be pleased if the price is too high. In the past, the criteria of making the products was selling them, at the moment this criteria is buying them, again the manufacturer must be at the consumer's position when manufacturing a product." (Ishikawa K., 1985)

For example the beer market is a vertically differentiated market. The factors identified as elements of differentiation are: the quality and perception of consumers (this latter element being mainly based on the image built by advertising). Beer is generally grouped into four distinct segments: super premium, premium, medium and economical. Branding in the categories mentioned belongs to the manufacturers. In general, positioning a beer brand in a certain category is a manufacturer's marketing decision, so there is no homogeneous classification set.

Let's take the example of Bergenbier brands. Based on Nielsen market information and our own analyzes, we can include the Bergenbier S.A. products after the BCG matrix in the following quadrants:

Figure no. 1. Bergenbier brands



Source: (Nielsen report, May, 2016)

Becks and Stella can be regarded as the *stars* of the portfolio as they benefit from brand health, significant position in the segment, and the fact that in numerous external market analyzes the premium / super premium segment shows signs of recovery starting in 2016 on the basis of preferential consumer preference of acquisitions.

Staropramen, as a new brand on the Romanian market, benefits from a strong support from the company on the media side through TV advertisements, consumer activities by organizing events related to jazz, food, TV shows and promotion in stores. Considering the market share at this moment, we can allocate the brand to the quadrant *dilemma*.

The Bergenbier brand, by its nature, target audience and importance within the portfolio, can be assigned to the *milking cow* quadrant. In the same quadrant, we can also mark Lowenbrau, which, without visible investment support and a single available package, 750ml PET bottle, generates significant revenue according to Nielsen.

Noroc is in a noticeable decline every year, even if the company's representatives declare that this brand is an important element of the portfolio, and does not give any signs of recovery even if sustained efforts are being made at the level of media visibility and consumer activation. Profit is "the essential engine of society" says Francois Perroux. Profit is the essential incentive to carry out an economic activity for those who carry out this activity.

"In the literature, profit in the general sense is defined as the positive financial result of a lucrative activity, representing the difference between the proceeds earned and the expenses incurred by it. It is also considered that the gross profit is the sum of the positive financial results in a range of the time (month, quarter, year) obtained by a natural or legal person in the sectors of activity. This general sense of profit gives a picture of the way in which the activities take place in a productive unit, if these units succeed in the incomes obtained in following the sale of the production, to cover the costs incurred in obtaining the respective production. Effective realization of the profit means that the assortment and the quality of the production versus sales to cover the expenses incurred in obtaining the respective production. The assumptions and the quality of the production must correspond to the solvable demand. If the goods do not meet the needs they are not realized and the profit is not formed." (Porter, M. E., 2001)

Thus, to maximize profit, manufacturers must also conduct a portfolio analysis in terms of profitability. So if one of the market share products has low profitability or close to zero, then the manufacturer will need to rethink the strategy and focus on high-profit products.

The profitability of a product can be influenced by the following: large discounts on the market, usually aligned to the discount level, just to be competitive, high production costs of the product in question, high logistics costs, massive investments in marketing, product promotion costs, team costs. All of these combined elements in the long run bring low profitability to the company.

Let's take, for example, generics pharma companies in Romania.

Initially, when launching a generic product, they were first on the market, after the original product. At that time, the profit margin / unit was 40%. After about three months, the competition entered with the same type of molecule but with a lower price, giving higher discounts. Company x had to give 30% discounts to be competitive, but the production cost of the molecule was 35%. In this situation, the unit profit margin per company dropped to 10%.

Another example is in the beer market. Although the economic segment dominates the beer market in Romania, with more than 50% of its volume and 40% of its value, its dynamics shows a change in consumers' preferences to the price segments with a higher perceived value for them, thus the premium and super premium segments look a year-on-year increase in the total market (Nielsen, 2016).

From the perspective of the portfolio offered to consumers, and the allocation of brands to price segments, we can say that Bergenbier SA comes to meet these with a set of brands that meet the needs of each segment, so they can maintain their profitability.

Superpremium

Su

Figure no. 2. Bergenbier brands by segment

Source (Nielsen report, May, 2016)

Looking at the brand-wide packaging offer we can see the importance of each price segment. According to Nielsen market data, PET has the highest importance in the economy segment, and the premium and super premium segments based on aluminum cans, returnable glass and non-returnable glass a lower importance.

By making a comparative analysis of the Bergenbier SA segment mix versus the direct competitors or the average beer market it is clear that the disadvantages of market exposure on the economy segment come with a substantial advantage in terms of the value of the current mix. The value of super premium, premium and medium segments is above the market average, which means that in terms of profitability, actual sales volumes can be offset by a mix of segments directed at higher value added products for the company.

As regards the production process, the costs added to produce a premium or super premium beer are significantly higher than to produce beer for the average segment as a result, the possibility of asking the consumer for a higher price for products in the upper segments is based on the perception of quality and appearance of the higher social state at the time of consumption.

5. Conclusions

Innovation is one of the most important growth measures for a company, and it is the source of sustainable long-term development, at least in the beer industry.

A successfully implemented innovation helps to increase profitability not only in the short term but also in the long term, can help increase the company's market share, brand awareness and especially can reach the top 3 favorite brands of consumers.

When innovation is on the first place in a company's strategy, their products became more attractive on the market, having something different and new, the profitability can be maintained for long periods of time and it becomes the top priority for management.

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Designing Visual Materials for ESP Classes

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Abstract

This paper aims at discussing issues concerning teaching/learning methods and techniques based on multisensory materials/aids that can be used in English for Specific Purposes (ESP) classes. Bearing this goal in mind, we have described and analyzed the main benefits and drawbacks of such teaching aids for advocating the use of visual aids in the foreign language classroom, in general, and for motivating and getting students interested, in particular. The bottom line is that interesting and challenging activities, accompanied by visuals can attract and maintain students' attention during ESP classes.

Key words: ESP, teaching tools, visual aids

J.E.L. classification: K00

1. Introduction

The type and usefulness of visual aids in the foreign language classroom, as learning materials and teaching tools have been described and explained by many authors, both methodists and psychologists/psycholinguists (see Stănișoară, 2003; Harmer, 2007; Nădrag, 2008; Vizental, 2008; Scrivener, 2011; Buzarna-Tihenea, 2017). Therefore, various activities based on visuals will be presented in this paper, along with the teachers' enhanced creativity. The major idea and hypothesis pursued throughout this paper is that the psychology of visual perception in the classroom can result in engaging students into lessons that facilitate learning.

In life, what we see, hear, smell, feel and touch turns into stimuli that reach our brains and are further analyzed and interpreted so as to help us understand our surroundings. According to Wortman(1988) and Shams and Seitz (2008), when we involve multiple senses in engaging with the external world, or learning, the chances to better understand and retain the informative content at hand increase. The use of several senses instead of a single sense as a primary source of information allows for multiple cognitive associations and connections. The neural pathways for pre-existent knowledge are activated, as the pre-existent information is retrieved and used to make sense and integrate the new information into the system already developed.

Visual aids engage learners with the help of attractive, stimulating resources. The combination between verbal and visual content helps retain the desired items and increases the chance of the right use of certain words, structures, sentences or other types of verbal content. The ability to associate verbal content with visual content facilitates the process of retrieving information from the memory as well as storing information in the long-term memory by creating multipleneural pathways for the same information (Shabiralyani et. al., 2015). This means that there are more memory triggers for the same information, which helps the learner activate the informative content faster and in a more reliable manner. In the long run, the use of visual aids alongside verbal content helps the learners' brain maintain its flexibility as well.

Visual tools can help make the teaching process more effective and interesting. A proper use of such aids supports the teaching process; however, a major factor should be taken into account, i.e. the aids used need to match the level of the students, namely their cognitive development stage and previous experience with English. Aids that stimulate students' use of English and participation in an activity planned beforehand should be brought to class. The visual aids should be realistic and

accurate. The results of the use of such aids should be further assessed by means of follow-up activities, in order to check the students' response to the use of visual aids in the classroom and their appropriateness for further use.

Visual aids display certain obvious advantages, compared to other aids used in the process of teaching/learning English. Some theoreticians have attempted to provide a full list of benefits, such as: to avoid excessive, empty and meaningless verbalization in teaching English, learners can go from concrete to abstract faster, form clear and accurate concepts in English, provide variety to teaching, interesting and inspiring means of teaching, create language atmosphere, reduce teacher-talking time, clarify the topic, save time and energy (see Daniel, 2013).

The use of visual aids in the classroom is multifold and enhances the processes of learning, knowledge retention, information retrieval, and neural pathway creation. As such, they prove extremely helpful to any teacher who wishes to plan lessons that are easily engaging and speed up retention and overall language acquisition.

2. Theoretical background: Types of visual aids used in ESP classrooms

Various types of visual aids can be successfully turned into learning tools. We will present several visuals that can be used successfully for teaching general English and English for Specific Purposes.

Flashcards or pictures can be used differently as the students' mind becomes more abstract and develops critical thinking (see Gibby, 2013). They have the advantage of providing support in a whole range of activities, appropriate for a whole range of ages. Teachers might use pre-made sets of flashcards available on the market or online, or they can make their own flashcards, according to the topic they intend to teach. Teachers can also create their own flashcard library. Browsing online can provide the necessary information, and can help teachers gather interesting materials. When selecting materials to be used as flashcards, the teachers need to take into account certain principles: the pictures need to be large enough to be seen by everyone in the classroom, they need to be clear and representative. The pictures can be collected and then organized by topic.

There are several ways to use flashcards in the English for Specific Purposes classroom: to show the meaning of a certain word; to illustrate and enumerate economic sectors, economic products, categories (of companies), etc.; to support visually the content of a verbal narrative, to stimulate students' imagination, describing processes, phases/steps; to remind students specific grammar items; to prompt students' creativity and ask them to make connections between the images, or even create a whole narrative; to accompany role-play or other types of activities.

Visual narratives help enhance abstractization and promote multisensory learning as well as cognitive development. They help learners verbalize the content expressed visually, by enhancing their abilities to pair up images and words. In the long run, visual narratives stimulate learners' interest in storytelling. Therefore, visual narratives in addition to enhancing linguistic knowledge and facilitating the learning process, they also teach thinking skills. Learners verbalize the actions performed, what they see, how the story/event is evolving - the sequence of events, or they can add information, events or come up with solutions. Thus, during the process of learning a foreign language, students also learn how to extract meaning, assess and interpret data, solve problems, make decisions based on the evidence at hand, establish relationship patterns, such as cause-effect, predict the outcome based on the current information available, support or reject a hypothesis, question the content they were presented with, predict, analyze, interpret, summarize, etc. All these processes and activities can be efficiently and successfully used with learners who are studying economics, law, medicine, engineering, history and political sciences, foreign languages a.s.o.

Teaching with *videos*, *TV shows and films* can be enriched in a number of ways to ensure its usefulness in the classroom. Teachers can use ready-made videos, films and clips, materials that they find online, or they can actually make their own materials or recordings to engage students faster. However, several factors need to be taken into account when deciding on the video materials to be included in the lesson and the manner in which they could be used: the material should be short, well exploited (used as starting point for a certain task/activity); accompanied by other materials and activities.

The use of the material should be interactive and complex. To be able to decide which part of the video is worth focusing on, teachers should refer to the multitude of aspects related to moving images. Videos have sound, image, characters that connect with each other via body language, facial expressions, eye movement, physical contact, a background, etc. If possible, subtitles should be used to enhance understanding. The video can be paused, played back, or fast forwarded, according to the learning needs at hand. Usually, DVDs provide additional materials in the form of deleted scenes, director's cut, set dialogue, or even learning material in the case of specialized DVDs. All this additional material can be turned into a starting point for a research activity, a debate/discussion, a written essay, a project.

The teacher should decide on the lexis, function, or grammatical item that will be the focus of the activity, while also preparing pre-task and post-task activities. If the activity is complex, the teacher can provide a worksheet that would help students focus on particular aspects of the video. An activity meant to highlight the importance of the visual content in rendering meaning could be muting the video and allowing students to watch a part of a scene and extract the relationship between the characters and the actual topic from the on-screen cues, such as body language, gestures, physical contact, movement, facial expressions, etc. Students can be asked to write down what they think happened in that scene, and even make up a dialogue and predict what's coming next. After hearing the various versions of the story, the teacher could play the video again, with sound, to check the students' understanding of visual cues.

3. Teaching tools

Various teaching tools used in the classroom can help enhance the use of visual aids in learning and practising ESP.

Interactive whiteboards have the advantage of being multi-purpose, as their touch-sensitive surface can be connected to computer and some loudspeakers. These particular types of boards are used visually not only to project an image (still or moving) from a computer, but also to write or draw with the help of a special pen. The images drawn are created and projected electronically. So, in addition to PowerPoint presentations, they can also be used as a monitor to play videos or even feature films. It is also worth mentioning that some of these boards come with specially-designed learning material that includes animated, interactive exercises which could prove useful to learners. As they help create highly interactive classes, interactive whiteboards have been proven to enhance student motivation and performance (Decker, 2010), as students are allowed to work with gadgets they commonly use in real life and interact with information in a manner that mirrors regular life interaction.

Presentation tools, from the classic PowerPoint to the innovative Prezi, this type of software can help pair verbal and visual content in providing much-needed explanations supported by images. To use this type of software in an efficient manner, the text should be reduced to a minimum of key ideas that the teacher should develop orally. At the same time, the illustrations/images used should be content-appropriate and original. Presentations can also be used to teach vocabulary with specific images. The animated tool provided by the software can help enhance grammar lessons, while pointing out various alterations in specific words or word position in different contexts (Scrivener, 2011), can explain processes, classifications, categories, principles, characteristics, etc. At the same time, through the use of such presentation software, students can get more involved in the process of learning, especially teenagers who are technology-prone already. They can be asked to do specific projects, to draw people's attention to certain problems identified by them, and to show how they can be solved. Other possible uses include resorting to sets of connected words and asking students to build up coherent content starting from that particular set.

Such tools may have some drawbacks, for example, the overuse of presentation software may lead to less classroom interaction, the students focusing too much on the planned content on the slides. On the other hand, teachers may fall back on this tool too much and eliminate creativity and experimentation with various teaching tools or methods.

Learning laboratories integrate the use of computers and headphones, and can enhance learning in multiple ways. A learning lab can ensure the use of audio-visual materials, such as podcasts, videos, or films. Teachers may even propose video conferencing students from a different school and come up with shared tasks, lively debates or other types of activity that students might feel comfortable and interested in.

Various websites provide *text analysis tools* that might help students work on tasks that could be part of larger projects or portfolios (Scrivener, 2011). Some of them could turn a set of words into word clouds, posters introducing a particular event, key-words for debates, seminars, presentations, etc. Other websites can help students make up visual dictionaries from the words entered, while also providing students with information regarding the way in which words are connected (synonyms, antonyms, words of similar form or similar meaning).

Visual worlds could work in attracting students. Creating a virtual learning environment could prove interesting and challenging for both teachers and students, as they explore the possibilities of their environment. If aiming to teach the language used in hotels, restaurants, companies, for example, the teacher may actually create a virtual restaurant, hotel, company where students can interact and practice real-life conversations. This simulation is very close to real situations and takes role playing to the next level. The students can develop their speaking and listening skills, enrich their vocabulary (words, collocations, idioms) and reinforce the use of grammatical structures (see Buzarna-Tihenea, 2015). This type of tool can be extremely useful for role playing, simulations, and task-based activities.

4. Conclusions

The visual aids that can be used in the classroom have already proven their advantages. They help create mental connections and multiple paths for information retrieval in the brain. Along with the material learned and the teaching and learning strategies and techniques, they may help alter students' perception of the world. Students become more motivated and get interested in what they are being taught, more energetic, enthusiastic and optimistic than before. From an experiment that we conducted on groups of students in economics and law, we can state that it is essential for learners to be provided with aids that would boost the learning process and facilitate the forming of multiple connections and neural paths.

Teachers' interdisciplinary and resourceful approach to the teaching/learning/assessment process could help students understand and learn the desired information faster and even lead to certain abilities (including communication and language abilities). It is obvious that students' creativity and thinking skills can be enhanced in very pleasant ways. In order to avoid the use of the same tools and material, and to create a friendly atmosphere during the ESP classes, the teaching process should include a variety of methods and tools.

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The Transition to the Circular Economy through Buyback Programs

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Abstract

The way we produce and consume contributes to many of today's environmental issues such as global warming, pollution, exhaustion of natural resources and biodiversity loss. In a circular economy, the value of products and materials is kept if possible, waste and use of resources are minimized, and resources do not leave the economic flow once they are at the end of their lifetime but are reused and create value.

The aim of this paper is to investigate the degree of association of buyback programs with the concept of circular economy among young people. In terms of research methods, the questionnaire-based investigation method was chosen. The survey was conducted on a sample of 130 young people. The methodological tool used has the advantage of providing complex information and the objective possibility of correlating the indicators, thus making it possible to obtain credible and easy to interpret results.

Key words: circular economy, sustainable development, recycling, buyback

J.E.L. classification: A13, F63, O33, O44

1. Introduction

A Circular Economy aims at transforming waste into resources and on bridging production and consumption activities; however, there is still limited research focusing on these aspects. Even though there is ongoing discussion about the exact numbers, the fundamental need for an alternative to the current make-use-throw away model, has led to the emerging discussion about a more circular economy. While the idea of a circular economy is around for decades, the current situation seems now more favorable than ever to act.

The circular economy can be considered a kind of ecological economy that requires ecological rules to be imposed instead of market rules used to guide the economic activity of human society. Compared to the traditional economy, which is a form of linear economy, a path with a single sense of resource flow, characterized by high production and inefficient use of resources and strong emissions, the circular economy advocates a pattern of economic development that is much more in balance with the environment, characterized by low production, efficient use of resources and low polluting emissions. All raw materials and energy in a circular economy are used and reused at the highest possible level to maximize the influence of economic activities on the natural environment. Moving towards a circular economy can promote competitiveness and innovation, a high level of protection for people and the environment, and can bring major economic benefits, thus contributing to job creation and growth.

2. Theoretical background

The concept of the Circular Economy has become one of the most recent proposals to address environmental sustainability (Murray et al., 2015). Circular Economy is based on –closing loops' through different types and levels of recovery (Yong, 2007), by transforming material into useful goods and services through resource efficiency (Klettner, 2013).

In our current, linear economy, approximately 80% of what we use is directly discarded after usage (Sempels & Hoffmann, 2013). Other research even concludes that over 99% of the total material flow generated to produce consumer goods ends up in waste disposal within 6 months (Hawken, 1999).

A chronology of the formation of the concept of circular economy is necessary to see its development over time. The first ideas of circular economy began to rise at the end of the nineteenth century. By the twentieth century, more precisely in the 1960s, there is a need to use concepts such as the "spacecraft Earth". The 1970s represented the beginning for certain concepts such as "Cradle-to-cradle", "Ecological Design", "Industrial Ecology," as well as for governmental resources and for a closed-loop or regenerative loop-type economic system.

In the 1980s, the concept of "sustainable development" and concepts of "performing economy" and "green economy" appeared. Since the 1990s, several concepts have been born and infiltrated into politics, management and scientific communities, starting with the concept of "circular economy" and continuing with "producer responsibility" in 1992.

In the definition provided by the Ellen MacArthur Foundation, the circular economy is restorative and removes waste by designing better materials, products and design systems, powered by innovative business models (Esposito et al., 2015).

According to the Global Economic Forum, the goal of the circular economy is to keep our current lifestyle, rendering it more technically viable in the long run by producing, under a closed system, or closed loop, in which firms re-use, through a process disassemble, damp and recover, consolidating, and ultimately reconverting the materials already used. Fundamentally speaking, the circular economy recognizes and addresses the issue of reduced material use (Lakatos et al., 2017).

3. Methodology

The method was based on a survey among 130 young people. Establishing hypotheses has a significant practical value in designing our research, helping to clarify expectations in terms of results and setting the information that will be required in the analysis process. The working hypotheses for this study are enlisted below:

- 1. Over 75% of respondents do not know good enough the concept of circular economy.
- 2. More than half of respondents do not know that the introduction of "Buy-back" programs is a measure aimed at applying the principles of a circular economy.

4. Findings

The survey was conducted on a sample of 130 young people, including 100 women (76.9%) and 30 men (23.1%). The average age of the participants in the study is 23.19 years.

To the question "How well do you feel you are aware of the concept of circular economy?", most of the respondents consider that they are not sufficiently informed about the concept of circular economy. Only 6% of respondents said the level of information is good and very good. A quarter of respondents feel they are not informed at all about the concept of circular economy as in Figure no.1.

not at all 25% sold enough 2% wery good = 5% 1% not very good 67%

Figure no. 1. The level of information on the concept of circular economy

Source: Own contribution

In order to facilitate the transition to a more circular economy, the participants assessed the importance of product characteristics differently: long term validity, availability of product repair information, availability of spare parts, upgradability - ability to improve functionality, reusing the product, biodegradability, effective use of resources in the production phase, recyclability, high content of reused parts or recycled materials, high content of renewable materials and minimal impact of the product on the environment.

The participants of the research have appreciated that the transition to a circular economy can be achieved very easily if products are designed to have a minimal impact on the environment. Over 90% of participants believe it is important and very important for products to have a minimal impact on the environment.

The most respondents (59.2%) consider that to move to a more circular economy, it is very important that the products can be recycled. Biodegradability is another feature considered by almost half (48.5%) of the respondent to be very important for an easy transition. High content of reused parts or recycled materials is very important by about 27%, as it can be seen in Figure no. 2.

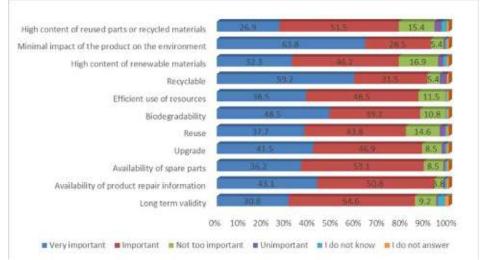


Figure no. 2. Assessing the importance of product aspects for moving to a more circular economy

Source: Own contribution

Among the actions considered to be priority to promote circular economy solutions in production processes, providing relevant information to consumers, improving consumer protection and preventing waste is very important by over 50% of respondents. Awareness campaigns are considered as very important only by 20% of the participants, as it can be seen in Figure no.3.

Waste prevention Repair services New ways of consumption Environmental public procurement Incentive for consumers Consumer protection Awareness campaigns Relevant information for consumers Exchange of best practices Digital solutions Public-private collaboration Innovative business models Legislative gaps 0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100% ■ Very important **■** Important ■ Not too important ■ Unimportant ■ I do not know I do not answer

Figure no. 3 Priority Actions to Promote Current Economy Solutions in Production Processes

Source: Own contribution

After centralizing the answers to the question about the association of buy-back programs with the principles of circular economy, we found that less than one third of the respondents made this association. Approximately 70% of respondents said they did not know that the introduction of "Buy-back" programs is a measure aimed at applying the principles of a circular economy as it can be seen in Figure no.4.

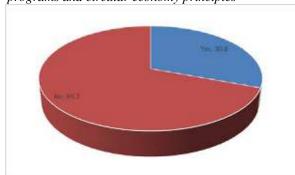


Figure no.4 "Buy-back" programs and circular economy principles

Source: Own contribution

One of the areas where buy-back systems are implemented, over 63% of the participants said that it is more common in the home appliance industry. Although in the auto field the system has been practiced for a long time, the respondents did not immediately associate the "Rabla" program with the buy-back program. Only 36.2% of respondents responded affirmatively, as it can be seen in Figure 5.

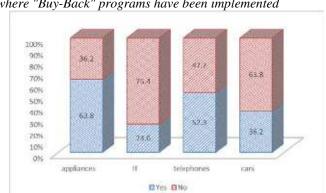


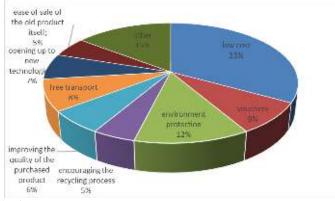
Figure no. 5 Areas where "Buy-Back" programs have been implemented

Source: Own contribution

The implementation of the buy-back system in the IT field is very little known among the participants to the study. Over 75% do not know there are buy-back IT programs.

The main reasons respondents turned to the buy-back program were categorized differently by the respondents. A quarter of those surveyed said the main reason was the lower acquisition cost that prompted them to consider buy-back. The environmental protection and vouchers received were other reasons placed on the first place in the decision to buy in the buy-back system, as it can be seen in Figure no. 6.

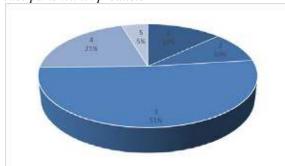
Figure no.6 The main reasons for the buy-back program



Source: Own contribution

The degree of confidence in the recycling / reusing of component parts inside the products is not very high amongst the participants. Only 5% of respondents have a very high trust in the recycling / reusing of parts inside the products. More than half of the respondents oscillate between trust and distrust that the component parts inside the products will be recycled or reused, as it can be seen in Figure no.7.

Figure no.7 Reliability of reuse parts within products



Source: Own contribution

Developing environment-friendly behavior by introducing the buy-back program may be the most important outcome of this program in the transition to the circular economy in the long run.

With the notable exception of the automotive sector, Romania does not benefit from too many buy-back programs, but things are moving in the right direction, and some companies already offer permanent or limited-time campaigns of this kind and other products.

5. Conclusions

The study is important both for the business environment because managers can design more "green" business models by resorting to such projects that enable them to be sustainable, as well as regulatory factors that can stimulate the use of these businesses by providing tax benefits or other benefits. Given the limited nature of the data used, new research directions can be identified.

The concept of circular economy is one of great novelty and topicality both in terms of designation and applicability. Moreover, it is very important to emphasize that the education and training of the skills required for the follow-up of these circular processes is a basic pillar that allows the transition from the theory to the practical aspects of the implementation of the circular economy.

The scope of the circular economy is to ensure the decoupling of resource use from the GDP growth, while restraining the adverse impact on the environment. A country's transition from the linear economy to the circular economy involves high restructuring costs, accompanied by losses, but it generates benefits in four areas: the use of resources, the environment, the economy and the society.

Based on a population of 130 young people, with an average age of 23.19 years, research results confirm the study's assumptions, showing the following: over 75% of respondents do not know good enough the concept of circular economy; over 90% of participants believe the transition to a circular economy can be achieved very easily if products are designed to have a minimal impact on the environment; a minimum of 50% of respondents consider as priorities the following activities in promoting the current economy: providing relevant information to consumers, improving consumer protection and preventing waste; 70% of respondents do not know that the introduction of "Buy-back" programs is a measure aimed at applying the principles of a circular economy.

The advantages of the Buy-Back program are diverse and with important implications for the application of circular economy principles, but for almost half of the young participants in research, reducing the amount of electronic waste is one of the advantages of applying Buy-Back and knowing the results of applicability of such programs.

Specifically, the results indicated that it would be necessary to engage in actions to be considered as a priority to promote circular economy solutions in production processes by providing relevant information to consumers, improving consumer protection and preventing waste, and finally awareness campaigns of the concept of circular economy and all the long-term implications.

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The Concept of Leadership

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Abstract

The social status of the school, the qualitative expectations of the beneficiaries of education, the contradictory changes in the pre-university education system and the social dimension of the school organization are factors that underline the imperative of the educational leadership, presented in the literature as an innovative leadership paradigm. Based on competencies (self-knowledge, self-mastery, social consciousness and relationship management), leadership from change perspective is present in the following areas: education, health, politics, army, or religion.

Key words: leadership, education, education quality, teacher quality, school access

J.E.L. classification: I240

1. Introduction

This article aims to show the importance of leadership as a central element of the discussions aimed at finding solutions that address the current problems of the education system. The general objective is surprised by the theoretical and applicative study of leadership.

2. Theoretical background. Perspectives on the leadership process

Leadership is one of the five management functions (Schermerhorn *et al*, 1988, p. 277). The leadership issues have been a concern for people since ancient times. But the systematic, profound study of the leadership began only in the F.W.Taylor's time. Many researches have been done in this regard, but without reaching a unanimous agreement on what is meant by leadership and how it must be studied. A great number of paper works have been written, books, articles, communications have been presented at national and international scientific sessions, in which attempts were made to define the leadership. During the latest two decades, there has been an explosion of the specialty literature regarding the leadership. (Vagu *et al*, 2006, p.3)

Most of the specialists define the leadership as a process of social influence in which the leader requires the subordinates' willing participation to an effort for achieving the organizational goals.

The leadership represents "the capability to exert influence on individuals and groups, directing their efforts towards achieving the organization's goals." (Mescon *et al*, 1988, p 464)

- R. Tannenbaum, W.I.Washler and F. Massarick consider leadership as a process of social influence in which the leader seeks the voluntary participation of the subordinates as a reward for achieving the goals. Leadership is a mutual action between people manifested in particular circumstances by means of the communication process and focused on choosing a specific goal or goals.
- H. Koontz and C.O'Donnell, also consider that the leadership "consists in influencing people in such a way so that they devote all their efforts, willingly, for the common goals achieving." (Koontz *et al*, 1980, p. 490)

Leadership is "the ability to efficiently use all the existing power resources to transform a vision thought for others into reality." (Vihanskii *et al*, 1998, p. 408)

R.M. Stogdil gives the following definition to the leadership "an influencing process of the activities of an organized group in its efforts towards establishing and achieving the goal." (Stogdill, 1974, p. 42)

3. Methodology of research

Outlining the main aspects of this article with regard to the concept of leadership was achieved through the use of specialized literature, both in Romanian and international, as well as Internet sources. The research methods used have led to an investigation of the leadership process and the importance of its application in an organization.

4. The importance of leadership

Some researchers consider leaderships as the ability of the leader to determine, to stimulate his work colleagues to a high, exceptional degree of participation on the road towards a dream. "Leadership is the skill to awaken in collaborators the dream to which they will tend, inspiration in them of the energy necessary to their movement." (Davis, 1967, p. 96)

In the concept of J. Kotter from Harvard Business School, leadership designates the orientation process of a group or some groups of people, by non-coercive means.

Leadership means the ability to influence others, individually or in group, through communication, in fulfilling meaningful, demanding targets.

Leadership may be defined as the group process involving the interaction of at least two people in order to achieve a goal. The leadership basis is the team spirit, the people's desire to think, feel and act in harmony, in order to achieve a common goal. The team spirit is the result of four processes:

- creating trust between the involved people;
- establishing a clear mission and goals to which these people adhere to;
- development of the participatory decision-making processes;
- strong motivation to maximize the individual's contribution to the common goals meeting.

Leadership involves the practice of some abilities, namely:

- the ability to understand that people have different motivations in different circumstances and moments:
 - the ability to train the followers to focus their efforts on accomplishing a certain task;
- the ability to act in a susceptible manner, to raise motivations and to react to them; it's about the style of leadership and the climate it creates. (Vagu et all, 2006, p.7)

Leadership represents the capability to determine others to define their goals. This is a human factor that provides the link between a group of people and their motivation for the goals achievement.

T. Peters and N. Austin describe the leadership in the following terms: "leadership means vision, enthusiasm, love, trust, vivaciousness, obsession, consistency, use of symbols created by heroes at all levels, managing concerns and many other things. Leadership must be present at all the organizational levels. It depends on one million of little things obsessively made, but all these things do not mean anything unless there is vision and self confidence." (Peters et all, 1985, p. 56)

Leadership means the power to convince, to succeed and the exercise of authority.

Most of the researchers who analyzed the leadership mainly tend to reveal the basic principles of an efficient leadership.

Leadership may also be defined as a type of management interaction, based on the most efficient jointing, for a give situation, of different origin, power sources which is directed towards the people determination to achieve the common goals.

Leadership must be understood taking into consideration two important aspects; the art or process of influencing the member of an organization, in such a way that they willingly act and devote their efforts in order to assure the organization existence, on one side, the common goals achieving, and then the organization development, on the other side.

Leadership can be found in all activity fields, regardless if it is education, health, business, s.o.

In order to define the leadership, as an interaction, it is necessary to do the following clarifications:

- leadership does not occur in isolation;
- there is no leadership without people following it; it is influenced by the followers' qualities;
- any form of leadership happens in a context, in a situation that involves a certain type of behaviour.

The issue of leadership is complex because the leadership styles differ depending on people and circumstances, in other words, some styles of leadership go together with certain people or with certain situations. The leadership styles is shaped by the influence of the personality of both the leader and the followers, all these being approached in a certain situational context. In this regard, leadership is approached as interaction.

An important aspect of the leadership is the power relationship between the leader and his follower. It is necessary to be known which is their behaviour and for this, answers to many questions must be found:

- What can we say about the mentality of the subordinates?
- What are the subordinate's expectations from the leader and from the work?
- Do the subordinates need the leader guiding?
- In what relationships are the followers with their leader? (Vagu et all, 2006, p.14)

5. Leadership as part of management

Leadership approach in a global context requires as a necessity the resuming in synthesis of the management and leadership complementarities. In the specialty literature, the "management" and "leadership" concepts are distinct, but, in fact, they are inseparable in practice.

In the management definition, the leadership is mentioned as one of the five functions of the management. According to it, the managers act working with people, accomplishing the leadership as one of the key elements, among the management many tasks.

Because the managers are asked to work with their subordinates, what is the management behavioural side, the leadership is applied everywhere and at any level. Despite the fact that these concepts of management and leadership seem to gradually converge, a particular distinction between management and leadership is obvious. Leaders help to get

shaped the vision of the organization, with the purpose that others work and live. Managers, as opposed to, operate totally with the vision. Leadership and vision remain fundamental to understanding a community and its institutions. Therefore, the perspective of the leadership implies the ability to inspire and influence the population thinking, attitude and behaviour.

Howsoever would we distinguish between management and leadership, it is obvious that the effective leadership is indispensable for the permanent success in the international affairs. In order to face the rapid and dynamic change of the international environment and competition strengths, the leadership must be visionary, inspiring, motivational and dedicated.

Leadership is not intended to maintain the established order, but to generate movements, to make changes, to cope with constraints and new needs, that is to change the guided people so they constantly adapt to the new conditions.

Leadership, as a specific type of management relationships, is mostly based on the conscious social influence and, more precisely, on the interactions inside the organization. This process is much more complex, it requires a high level of the mutual dependence among the participants in it.

Leadership is included in the sphere of the social influence phenomenon represented by power and influence. As a process of building relationships involving the dynamics of the organization's members, the challenge is the start of the change process as well as the implementation of the interpersonal relational values.

From the humanist perspective, the leadership process is important, because the human nature by its essence, needs a direction. The activities of the people in different organizations need a control function, hence leadership.

The classical authors refer to the moral aspect of the leadership – the public good rather than the individual interest, (the Republic of Plato), virtue and justice research, (Aristotle's Policies), the individual gives up his freedom for the good of all, (The social Contract of Rousseau), or keeping in power (The Prince, by Machiavelli).

6. Conclusions

This article is part of the current study of educational leadership in school organizations in the pre-university education system.

Educational leadership is oriented towards vision, values and professional relationships between members of the organization.

Formulating goals, evaluating the efficiency of the school organization, involves concrete actions of the leader.

The leader is the person who proposes objectives that lead to changes in the organization. He conveys the desire for positive change and the desire to redeem new things with enthusiasm, conviction and competence.

The force of a leader's influence is directly proportional to the degree of acceptance by the followers of what the leader proposes.

Explaining each distinction between manager and leader leads to the final conclusion on the two concepts: management - doing the right things (managers) and leadership - doing the right things (the leaders).

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Aspects of Risk Factors in Two Digital Art Festivals

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Abstract

The present study aims to highlight some risk factors in staging two digital art festivals, from the perspective of the organizers and of the audience. We corroborated the results of two questionnaires that were used following the 2018 editions of the Electro Arts Festival, centred on organizing artistic events resulted from the alignment of technology with visual images, music and dance, and Clujotronic, which included experimental and interdisciplinary installations projects with electronic music, visual art and independent digital games. Statistical correlations were found in the different types of risks and their triggering factors; the results indicated the interdependence between the two perspectives in assessing the events in question.

Key words: risk, management, festival, audience

J.E.L. classification: Z11, Z19

1. Introduction

Market research can influence organizational decisions by providing useful information on the success parameters of a festival, identifying links between the objectives pursued and the potential of an event, by exposing the client's characteristics, motivations, preferences, promotional tools (Hvenegaard, 2011, pp.373-386). The success in organizing cultural events is often uncontrollable, as artistic events are subject to risks that are strongly determined by the fluctuation of the public. Cultural institutions (operas, theatres, philharmonic orchestras) using professional tools for cultural management and marketing succeeded in forming a constant audience, streamlining, in many instances, the production of periodic events such as festivals.

The present research aims at responding to the necessities of identifying possible risks in the organization of two artistic events, which are held every year in Cluj-Napoca, emphasizing a direct relationship with the opinion of the consumers of digital art, through the assessment of the festival performances along multiple coordinates.

The *Elektro Arts* festival, dedicated to digital arts, brings together in Cluj numerous composers, choreographers, visual artists, dancers, directors, being organized by the Art and Design University, the Faculty of Theatre and Television of the Babes Bolyai University and the *Gheorghe Dima* Music Academy.

The festival is divided in three distinct parts:

- artistic competition (installation art and mixed media, digital photographic art, electroacoustic music);
- interdisciplinary creation (technology and dance, mixed music and video art performance, acousmatic music and interactive visual image);
 - technological innovation (the 2018 edition employed computer software for gesture control).

This type of production is intended to develop the ability of the performer to interact on stage with the sound and visual image generated by a computer. Similarly, the dancer is given the opportunity to mould, through gestures, the digital audio-visual environment in real time.

The *Clujotronic* Digital Art Festival (organized mainly by the German Cultural Institute and the French Institute in Cluj-Napoca) presents experimental projects every year, among which we mention the innovative projects that generated a large audience participation: the *kinetic sculpture* consisting of robots which produced live electronic music on a combination of choreography and video mapping; two installations created by professors and students from the Art and Design University in Cluj that animated the inner courtyard of the festival's venue, through interactive sound and light mechanisms; video games, one of the most widespread environments where art combines with technology, propelling innovations and playing an essential role in modern culture and art.

2. Theoretical background

Festival management is an area of research which emerged only after the ninth decade of the last century, focusing on studies on feasibility, administration, design, marketing, operations and risks (Larson, 2002, pp. 119-143). In the opinion of Wilson J. et al., (2017, pp.195-213), there can be delineated five strands of research on festivals, namely: motivation, experience, location, impact and event management, in regard of which the authors argued for the need of an integrative approach to festival management, which should account for the factors underlying the initiation of festivals, their staging and management, their outcomes and the interaction among them (Getz et al., 2010, pp. 29-59). One must also have in view the broader context of the environment in which festivals operate (Edwards, 2012, pp.517-527), as using an integrated framework would allow the festival research to extend beyond management functions. Such an example would be the monitoring of the existing interactions between the extended community networks involved in planning and managing the festivals (Andersson et al., 2013, pp. 621-634). It is believed that in this way the festival management studies would be significantly improved as business operations are, in one way or another, carried out within social structures (Andersson et al., 2013, pp. 621-634).

The organizations involved in the management of festivals may belong to different sectors: culture, arts universities, non-governmental organizations, various educational structures, cultural industries, the media, with the main task of creating unique artistic products; the cultural industries promote the reproductions thereof on the market, and the media sector facilitates their direct transmission to consumers. Although the mission of cultural institutions is predominantly social, being oriented towards obtaining an artistic product, cultural organizations are exposed to risk situations when organizing cultural events. The level of risk of a festival, for example, is unpredictable, since an artistic representation is in fact an non-material product with a frequently unexpected path of evolution, thus likely to generate unpredictable risks.

A prediction of the probability of success or failure as well as a feasibility study could provide simple estimates, and in the case of larger, higher risk events, a thorough research of operational and managerial features (Frost, Laing 2015, pp.1-20) would allow for effective decisions. The initial feasibility study usually takes into account two aspects: market research and an initial financial risk study. The most common is the financial risk, as well as the functionality and quality of the events presented.

3. Methodology of the research

A multidirectional survey was carried out for the two artistic events in our study, *Elektro Arts* and *Clujosonic*, which, in a comparative approach, was aimed at exploring the risks that may occur in organizing the two festivals from a double perspective, of organizers and consumers. The investigation was conducted on the basis of two questionnaires, one for measuring the potential risks (strategic, operational, financial, human, commercial, environmental, etc.), which was distributed to the organizers (managers, consultants, technical staff coordinators, authors of digital projects), cumulating a number of 31 respondents who completed the surveys.

The second survey was completed by the attendees, at the end of the events; 150 questionnaires were filled in. The investigation targeted the collection of data on audience segmentation, promotion of the two events, assessment of the artistic performances and of the way in which the activities were organized.

A descriptive statistic (frequencies, percentages) for certain questions in the risk questionnaire was drawn and subsequently correlations were made with separate questions from the audience questionnaire, thus trying to estimate the perception of the two categories on the type of risks which may incur as well as of the factors that trigger them.

4. Results

The results that indicated an identical or different perception of potential organizational and participatory risks with statistically significant data were obtained in the following coordinates:

a. Study on the risk of customer dependence

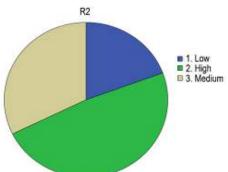
Table no. 1. The risk of customer dependence

		Frequency	Percent	Valid Percent	Cumulative Percent
	1.00	6	4.0	19.4	19.4
Valid	2.00	15	10.0	48.4	67.7
Vand	3.00	10	6.7	32.3	100.0
	Total	31	20.7	100.0	
Missing	System	119	79.3		
Total		150	100.0		

Source: own projection, using SPSS

In the opinion of the organizers, the level of this type of risk is medium to high, the success of a festival being conditioned by the attendance at the event:

Figure no. 1. The risk level of audience dependence



Source: made by author based on data from questionnaires

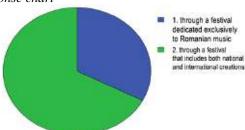
The attendee questions had in view the reasons which attract the public to this type of festivals. The question that realized the correlation with the mentioned risk factor was: *In your opinion, which of the following variants do you consider to be the best way to promote cultural values?*

Table no. 2. Respondents' opinion (frequencies)

Tubic no.	2. Respondent	is opinion greque	netesj		
		Frequency	Percent	Valid	Cumulative Percent
				Percent	
	1.00	49	32.7	32.7	32.7
Valid	2.00	101	67.3	67.3	100.0
	Total	150	100.0	100.0	

Source: own projection, using SPSS

Figure no. 2. Respondent response chart



Source: made by author based on data from questionnaires

Table no. 3. The correlation between the risk of customer dependence and their opinion on the type of activity

			RR2	В
	ъ	Pearson Correlation	1	488**
R2	R	Sig. (2-tailed)		.005
IX2		N	31	31
		Pearson Correlation	31 488**	1
	В	Sig. (2-tailed)	.005	
		N	31	150

^{**.} Correlation is significant at the 0.01 level (2-tailed). *Source:* own projection, using SPSS *Source:* own projection, using SPSS

The statistical analysis highlights a correlation between the risk of customer dependence and the attendees' desire for the promotion of both national and international creations, in the sense that if a small percentage of customers are unsatisfied (with the genre and quality of the repertoire), the risk of failure increases (this is the reason of the minus sign, thus of the inverse correlation between the variables). The result is statistically significant, as p = 0.005 < 0.01.

b. Study of existing correlations between different types of risks

Table no. 4. Correlation between the inappropriate planning and the risk of customer dependence

	Correlations				
			R1	R2	
	ъ	Pearson Correlation	1	.711**	
1	R	Sig. (2-tailed)		.000	
1		N	31	31	
	D	Pearson Correlation	.711**	1	
2	R	Sig. (2-tailed)	.000		
2		N	31	62	

**. Correlation is significant at the 0.01 level (2-tailed). *Source:* own projection, using SPSS *Source:* own projection, using SPSS

The results indicate a very good correlation, R = 71.1%, indicating that an inappropriate planning implies a strategic risk and will attract few customers to this type of events.

Table no. 5. Correlation between the strategic risk and the lack of technical capacity / reduced resources

Correlations

			R1	R3
	D	Pearson Correlation	1	.620**
1	R	Sig. (2-tailed)		.000
1		N	31	31
	D	Pearson Correlation	.620**	1
3	R	Sig. (2-tailed)	.000	
3		N	31	31

**. Correlation is significant at the 0.01 level (2-tailed). *Source:* own projection, using SPSS *Source:* own projection, using SPSS

The strategic risk, manifested through an inadequate planning, can lead to an operational risk, as evidenced by the resulting data from the correlation of the two elements, where R = 62%.

Table no. 6. Correlation between the risk of customer dependence and lack of technical capacity

		C	orrelations	
			R3	R2
	n	Pearson Correlation	1	.726**
3	R	Sig. (2-tailed)		.000
3		N	31	31
	D	Pearson Correlation	.726**	1
2	R	Sig. (2-tailed)	.000	
1		N	31	62

 $[\]ensuremath{^{**}}.$ Correlation is significant at the 0.01 level (2-tailed).

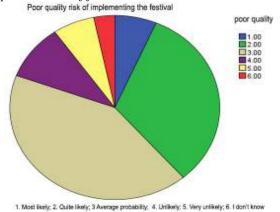
Source: own projection, using SPSS

The correlation is evident in the sense that the lack of resources may affect the organization of the event; the correlation coefficient is R = 72.6%.

c. Study on the correlations between risks perceived by organizers and attendees

In the risk questionnaire addressed to the organizers, we tried to identify some actions that might influence the unfolding of the event; one of the parameters studied statistically was *the poor quality of event implementation*.

Figure no. 3. Level of implementation of festival actions



Source: made by author based on data from questionnaires

Table no. 7. Correlation between the poor quality of event implementation and the adequacy of the repertoire

		Correlations		
			Poor quality	D2
	D 1'4	Correlation Coefficient	1.000	.845*
	Poor quality	Sig. (2-tailed)		.034
Spearman's rho		N	31	6
Spearman's mo	D2	Correlation Coefficient	845*	1.000
		Sig. (2-tailed)	.034	
		N	6	6

st. Correlation is significant at the 0.05 level (2-tailed).

Source: own projection, using SPSS Source: own projection, using SPSS

The chart shows an obvious inverse correlation (R = 84.5%), in the sense that if the repertoire is not suitable for the theme of the festival, the risk of affecting the unfolding of the event is very high.

Table no. 8. Correlation between the poor quality of event implementation and the artists' performance Correlations

			Poor quality	D4
		Correlation Coefficient	1.000	845*
	Poor quality	Sig. (2-tailed)		.034
0 1 1		N	31	6
Spearman's rho		Correlation Coefficient	845*	1.000
	D4	Sig. (2-tailed)	.034	
		N	6	6

^{*.} Correlation is significant at the 0.05 level (2-tailed).

Source: own projection, using SPSS

The resulting correlation reveals a high inverse relationship (R = 84.5%), respectively, if the performance of the artists is considered unsatisfactory, the risk of affecting the unfolding of the event is the same, very high.

5. Conclusions

The present study realized a statistical correlation between the perception of the people involved in organizing the *Elektro Arts* and *Clujosonic* festivals and the attendees at the two artistic events. The results obtained revealed that the strategic risk (considered by the organizers as having a medium to high possibility to appear) can lead to an operational risk as well as the low public frequency at events.

The audience confirmed this finding, indicating that the quality of the repertoire, its suitability for the festival theme as well as the prestige and performance of artists, may generate a risk of impact and consequently the failure of the event. It is considered in this sense that the audience perception of the promotion of the two events is extremely useful for the festival management, as demonstrated by the fact that the organizers consider that the dependence on customers represents a major risk, the results proving the correlation between the two evaluations discussed.

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The Evolution of Households Savings in Romania During 2008-2017

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Abstract

As we all know, savings can be translated from the perspective of income and expenditure differentials, and at the same time it is a very important subject for both economists and other people.

Collecting white money for black days," this is one of the popular interpretations for saving, proof that our ancestors have been thinking about this since ancient times.

The paper aims to study this saving process, the degree of indebtedness of the population in Romania, which implies the use of appropriate econometric methods. Their choice was made on the basis of the economic theory of the observed phenomenon.

Key words: saving process, capital market, inflation, savings

J.E.L. classification: D10, E27, E29

1. Introduction

As we can see from the data provided by the National Institute of Statistics, it is quite difficult for the Romanian to save a considerable amount each month, referring to their income and expenses. Leaving aside the communist period in which the population was subjected to forced saving due to the circumstances and situations of that time and returning to the period of economic instability as was the economic crisis since 2008, Romanians have become somewhat more attentive to this issue, for which reason have begun "to put money on socks" as much as possible.

After the revolution, the banking experienced a spectacular development, appeared increasingly more banking institutions, each coming to meet potential clients with a diversified and more profitable so cause them to become actual customers. But it is not enough to have only institutions where we can store our savings. Money is particularly important for a country's economy, but our decisions to use them are essential. According to some studies, as our income grows, consumption increases, but not to the same extent. That's why some of them are trying to save as much as they allow their monthly income (Abel B., Bernanke B. & Croushore D. D., 2011).

If we had a look at the Austrians, we find that they are saving 5 times more than a Romanian, who on average puts somewhere at 200 lei, a very small amount compared to the Czechs and Slovaks who are doing it something better than us. Here are several factors that differentiate us from many developed countries of central and western Europe, such as the standard of living that is far ahead of Romania, not to mention salaries.

According to recent data, the Hungarians save on average 52 euros, a little more than the Romanians, while Serbs can not save more than 37 euros a month on average. The fact that there are states in Europe with a lower saving rate this should not enjoy and compare with the latter. We should take the example of the developed countries and try to improve and correct the negative sentiments. I think that Romania is a rich country with many possibilities for development, its administration being a flawed one. It is not enough to want, we must struggle to see a change for the better in this country and to be the change we want to see "in the world".

2. Theoretical background and research method

The paper is structured in two chapters, each chapter being designed to explain a certain issue. The first chapter presents the general framework of the analysis. Of course, in order to analyze the effects or evolution of a particular phenomenon, it must first be defined and well known.

This analysis was based on the work of Carroll (2003 and 2004), Souleles (2004), Doms and Morin (2004), empirical analyzes that took into account the behavior of individuals in terms of saving. The savings patterns of the population have been highlighted as well as the reasons behind these saving decisions. All these savings decisions of the population have been influenced by a number of particularly important factors such as income, consumption or investment decision, factors that we have attempted to exemplify theoretically in this paper.

The paper analyzes the results obtained on the case of Romania, highlighting the evolution of the influence factors of the saving process. In this paper were processed the series of statistical data taken from the NBR Annual Reports 2008-2017.

Linear regressions, regressions that highlighted the dependencies between the variables analyzed (inflation rate, passive interest rate and net salaries) and population savings were used to perform this analysis. At the end of the paper, the conclusions occupy an important place in the thesis, because the saving process in Romania has begun to gain an increasing magnitude, aiming to reach the developed countries.

3. Analysis the factors of influence on household savings

I emphasize that the word "saving" is not a novelty, it is a rather complex term in terms of what it means and it is influenced by many factors. As we all know and as explained at the beginning of the paper, saving is calculated as a difference between revenue and expenditure. Until we turn the words into action, from the action of saving us to the stage of doing this, it is a long way, with many obstacles (Bodea C., 2012).

It is important to know this aspect of household savings because each country needs capital. This capital can either be imported by attracting foreign investment, or can come from within our country. Thus, we can say that there is a very close connection between saving and investment, as savings = investment.

International capital flows should not become for a country the main source of investment because in periods of economic instability they could destabilize the country's economy as it did in 2008, even when we were faced with, and with a fairly low saving rate. That is why we should come up with solutions to get Romanians to save more and more, but before doing so, we should consider what factors influence them and how we can improve that. That being said, encouraging "internal saving" is a measure of limiting capital inflows from the home and regaining the independence of the economy (Dobrescu E., 2006).

Analyzing the income, I noticed that they increased from year to year, more or less, both in the private and public sectors, with few exceptions. Income growth can generate savings, but as investment opportunities dwindle, this process is diminishing. But in order for everything to be clear, we must also keep in mind the average monthly expenses that we have seen varying from one year to the next.

As a household is more attentive with the consumer spending, a category where more than 70% of the money is spent on it, and the chances of saving it would increase. Obligations to the state in the form of taxes, taxes, contributions and contributions greatly diminish the income of the population, which is a hindrance to the saving process, diminishing the chances. I say this because, after spending on consumption, fiscal spending consumes an average of 14-15% of the total monthly average revenue.

Secondly, the macroeconomic certainty or uncertainty is another factor influencing the household saving process. After the fall of the communist bloc and until the crisis of 2008, the population was quite relaxed in this regard, the saving rate being low, even saving the population for many years in a row: 2002 -0.6%; 2003 -8.7%; 2004 -6.3%; 2005 -9.9%; 2006 -13.6%; 2007 -11.2% and 2008 -2.3% (Source: National Institute of Statistics). This unfavorable situation led to

the indebtedness of the population, consumption exceeding the average income. Only in 2009 the situation has improved, demonstrating that the Romanians have learned a hard lesson, saving them as a solution at hand for possible periods of economic instability.

Inflation also influences household saving when dealing with excessive growth in the sense that it degrades the real value of the savings stock. At the same time, higher inflation means higher interest rates, in other words, from this point of view, this factor could have a beneficial effect on saving in order to encourage people to save.

Developing financial markets can have both a positive and a negative effect on saving people. The good part of this is that the emergence of many financial and banking institutions, allows the creation of savings accounts, the contribution to private pensions, so that every willing person contributes monthly, depending on its possibilities. But the negative side of this is that, with the diversification of consumer credit instruments, the chances of savings are diminishing.

Unemployment is another decisive factor in the savings process, which could have a negative impact on saving, as it is a financially more difficult period where incomes can be reduced even by half. A good example of this could be considered as the coming of the economic crisis in Romania, when the unemployment rate was quite high and created many problems for Romanians and big companies, but also for the budget sector (Dumitru, I., Mircea, R., Jianu, I., 2011).

We also need to take into account the demographic factor when discussing savings because it is important to know that the "working-age population" is the one that contributes most to this process. Thus "those who work and are young are the ones who save the net", while the pensioners are the ones who have a negative saving.

4. Actual (real) household savings for 2008-2017

According to the Family Budget Survey, in 2008 a household saved on average 216.18 lei per month, which means 10.2% of the total monthly average income. Moreover, the amount deposited with banks for savings accounts, private pensions or other saving instruments was 24.59 lei from the saved amount, ie 11.36% of the total amount for saving.

For 2009, the situation changes slightly, in the sense of increase because the saved amount reaches the value of 268.66 lei per month, representing 11.6% of the total revenues. It is a significant increase compared to last year by 52.48 lei. Because the figures show optimistic as a result, the banking institutions received an average of 20.40 lei per month, or 7.59% of the total savings. This time, the population chose to deposit less money at the bank than in 2008, according to data released by the Family Budget Survey.

In 2010, we face an involution because the amount saved by one household drops to 241.3 lei, which means 10.5% of total revenues. This time, the amount deposited with the bank drops to 14.92 lei, representing 6.18% of the total savings. If we were to take a look at the data where the potential (possible) savings of households were analyzed, the figures were slightly more discouraging than the actual ones, which means that the forecasts are not always true.

Family Budget Survey shows that a family in 2011 saved an average of 233.5 lei per month, or 9.7% of the total revenues, decreasing compared to last year and 2009. The fact that the salary incomes have increased slightly from year to year and other household incomes, this has not boosted the savings process because I believe that these increases have not been enough to motivate people to move in that direction. Deposits to the bank on average amounted to 18.44 lei, which represents 7.9% of the total savings, increasing compared to last year.

In 2012, the average monthly savings per household is 230.6 lei, ie 9.3% of the total monthly average income. Of this amount, 15.18 lei went to the banking institutions, ie 6.58% of the total savings. Compared with potential savings, the actual ones look a little better.

In 2013 we are facing an increase of the average savings compared to last year and the potential ones, reaching the value of 241.7 lei, which means 9.4% of the total monthly average income per household. An increase is also recorded for financial institutions because this year a household has deposited with the bank the average amount of 21.01 lei per month, ie 8.69% of the total savings.

For 2014, savings are insignificantly reduced to 235.4 lei per month, or 9% of total revenues. Thus, the amount deposited to the bank on average per month by a household according to the Family Budget Survey was 19.5 lei, which means 8.3%.

As the National Institute of Statistics shows for the next 3 years, the increase in the average monthly income per household, a higher than usual increase, also led to a change in the saving plan. That being said, we deduce the following for 2015: the saved amount reached 295.8 lei per month, and deposits at the bank averaged 40.5 lei.

For the year 2016, the situation looks even better because the saved amount was 354.7 lei, a significant increase over all the years analyzed so far. Thus, on average, the amount deposited to the household bank for this year was 45.7 lei.

The maximum saving was reached in 2017, because a household "put money in socks" on an average of 381.5 lei per month and the amount deposited to the bank was 56.4 lei.

Table no. 1 - Table with the amount actually saved per month per household per month for the analyzed period

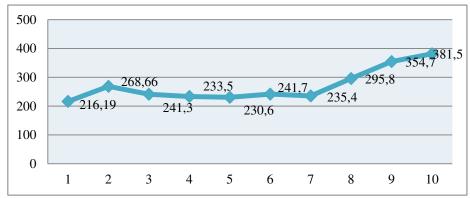
Year	The average amount actually saved / month (€)	Average monthly amount deposited in the bank (lei)
2008	216,19	24,59
2009	268,66	20,4
2010	241,3	14,92
2011	233,5	18,44
2012	230,6	15,18
2013	241,7	21,01
2014	235,4	19,5
2015	295,8	40,5
2016	354,7	45,7
2017	381,5	56,4

Source: Family Budget Survey

And this time it turned out that the factual beats the theoretical. I say this because there is a large discrepancy between the analyzed data on the amount that could be saved by an average household and the actually saved one, and the figures prove this.

The graphical representation below shows the evolution of the average amount saved by a household for each analyzed year starting with 2008 and ending with 2017. From here we can deduce that it reaches the maximum in 2017, reaching the value of 381.5 lei and the minimum is registered in 2008, with the value of 216,19 lei.

Figure no. 1 - The graphical representation of the table with the amount actually saved on average per month by a household



Source: Family Budget Survey

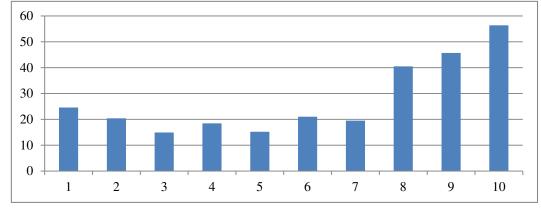


Figure no. 2 - Graphical representations of the average monthly deposits of the household at the bank

Source: Family Budget Survey

The figure above shows the evolution of the average amount deposited per bank per month by a household. From the graph we deduce that after 2008, we have a slight decrease in the following years, by 2015, when the situation improves, surpassing the values of the previous years. This means that people have begun to gain confidence in banking institutions again and to keep their savings within.

As I mentioned before, the period before the economic crisis started meant the people's indebtedness to the banks. Consumer credit has increased, and the interest of the savings population has been very low, and this is due to the low income that prevents them from saving. Since 2002 and until 2006, the saving rate has been a negative one, precisely from this point of view.

Even now, the situation does not look better, although we see some kind of glamorous figures. About 40 percent of the country's population can not afford to put aside at least one lion per month. Despite the fact that revenue has changed over the years, this does not really help us because monthly expenses increase. Moreover, the financial situation is not on the Romanian side, we are also faced with a crisis in financial education, which strikes under the belt, giving Romania the graceful shot and shamefully placing it on the last place in Europe in terms of saving.

5. Conclusions

In conclusion, saving plays an important role in our lives, which is why we should take this issue seriously. The data analyzed above show that the Romanian population is quite difficult to do so due to the high monthly expenses. Another reason why Romanians are not saving is that they are not taught how to manage their money properly, so that they save money, family-based education.

If from 2002 to 2006 the saving rate was negative, in other words, the Romanians spent more than they earned monthly, at that time increasing consumption credits, after 2007 the population began to save, this time the saving rate became positive. But this is not enough because, from statistical data, we are among the last places in Europe in this chapter.

We allow state-of-the-art phones and many other gadgets, but we do not allow ourselves to ensure the uncertain and uncertain future, it is a paradox that we are seeing in Romania. Only half of the country's population can afford or can save, while the other half does not even put a lion aside on a monthly basis.

From the data provided by the National Institute of Statistics, salary income accounts for the highest share in the total income earned by one household per month. Although they grow from one month to the next and from one year to the next, this is not enough because they are eclipsed by the lunar spending that grows at a fairly high pace. Thus, consumer spending is the most expensive, consuming more than 70% of monthly income.

Romanians should understand that saving plays a special role both in our personal lives and in the country's economic environment, for which they should be more careful with spending. I say this because they are irresponsible when it comes to this topic. Waste in flower, mismanagement of income, low levels of financial education of the population are just a few of the main factors leading to the present situation.

The fact that there are states in Europe with a lower saving rate this should not enjoy and compare with the latter. We should take the example of the developed countries and try to improve and correct the negative assertions. I think that Romania is a rich country with many possibilities for development, its administration being a flawed one. It is not enough to want, we must struggle to see a change for the better in this country and to be the change we want to see "in the world".

It is important to know this aspect of household savings because each country needs capital. This capital can either be imported by attracting foreign investment, or can come from within our country, there being a close link between the two notions, because savings = investment. Unfortunately, very few Romanians know this problem.

International capital flows should not become a country, the main source of investment, because in periods of economic instability they could destabilize the country's economy. Encouraging internal saving is a measure of limiting capital inflows from the home and regaining the independence of the economy.

The fact that banking and non-banking institutions have experienced a spectacular development, each coming with more diversified and more attractive offers to people, could cause them to do so.

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Forces That Are Shaping Strategic Decisions

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Abstract

The growth of world trade and the emergence of globalization moved towards flexible economic systems and created unimaginable changes a century ago from the point of view of the interaction of societies as a whole, not only in terms of exchange of information but also at the level of interaction between organizations. Based on the latest theoretical and practical considerations, we could say that is necessary to evaluate continuously not only the results obtained from the analyzes of the quantitative and qualitative data, but also the tools used in the field of strategic management, in order to have a clear applicability, beyond the "laboratory thinking". The purpose of such a scientific approach is to analyze the existence of relationships of correspondence, conditioning and correlation between the results of these types of research.

Key words: strategy, management, environment.

J.E.L. classification: L21,M14, M21

1. Introduction

The theme aims to "close" the strategic tools management cycle by analyzing the linkage between external and internal factors and clarifying the effects (outputs, data, processes, procedures, flows) in a dynamic strategic management environment, both in terms of the evolution of the society as well as the individuals, from the business point of view. In the following, we intend to emphasize the importance of the analysis of the forces that are shaping the strategic decision. Forces that are generated both by internal and external factors and how different parts of the organisation must react in order to fulfil the organisational strategic objectives. (Adair, 2015).

The intention is to present the role of in-depth analysis as a premise of successful strategic decisions, in terms of realistic evaluation of the internal and external environment. In this context, we could talk about a complex activity for organizations, in order to elaborate an action strategy, this subject being left open to further in depth assessments regarding the effects of the impact of various actions, generated by the external environment factors in the field of the strategic management, as well as the measurement of the effects in terms of technological, social, political and economic change.

2. Theoretical background

From the business perspective, over the past 20 years, companies have approached the principle "Think globally, act locally", but very few have succeeded to adapt in a fast and flexible manner to the environment. This kind of making business clearly shows the importance of the factors that are shaping organization and it strategic decision, moreover, taking into account the fact that the local culture and macroeconomic factors in implementing a coherent and non-volatile business are drivers for the future development. Theoretical approaches have contributed, in time, to the

understanding of the importance of external environment factors in substantiating strategic management decisions, reconfirming the paradigm by which the market - favourable location (on which an organization operates) and the potential of the economic development at national/regional level are the positive premises for organizational developments with the possibility of multinational expansion.(Porter, 2008)

3. Methodology/Evaluation of the external and internal organizational environment

For a correct implementation of the strategic decisions, it is necessary to understand the external environment and to assess the internal factors (resources, capabilities, key success factors). Thus, the integration of the external environment analysis (the STEP analysis, respectively the social, technological, economic and political factors), with the analysis of the internal factors (using the *Internal Factor Evaluation* matrix for the auditing of the internal environment from the perspective of three categories of aspects - structural, dynamic factors and processes, competitiveness), it is a primary condition in order to evaluate the strengths and weaknesses of the organization. (Fayol, 2002)

With the purpose of highlighting the external factors, in order to perform the environment assessment an organization must evaluate the *social* (or socio-cultural) *factors* - the lifestyle of consumers, consumption habits, social patterns, ethno-cultural and religious factors, *technological factors* - access to and use of technology (equipment, information and communications solutions, licenses, etc.), *economic factors* - national and international economic situation, the context of international economic agreements from the perspective of international trade, taxes and taxation, *political factors* - government policies, changes of the government/political leaders, political trends at national, regional and international level. In addition, is recommended to take into consideration another two types of factors which are used to scan the external environment and can influence strategic decisions: *legislative factors* (factors directly related to national and international legislation) and *environmental factors* (factors that consider the impact of the organization's work on the environment and it protection).

Now days, in a high competitively and a fast moving economical background, this external environment scan must be a tool used continuously for monitoring the macro-environment risk. Therefore, this analysis must be applied, taking into account the dual value appreciation from the perspective of the "beneficial" or "disadvantageous" characteristics. (Porter, 1998)

All these aspects which are taking into consideration the market on which the organization operates, the intensity of the competition and the creation and preservation of the competitive advantage are representing the basics of the future strategy for an efficient management, focusing on the requirements and exigencies of the client.

However strategic decisions, even if they are directly influenced by external factors, to which the organization reacts without being able to influence them, should be correlated to the internal resources. Therefore, the internal environment analysis considers the following elements: structural factors, dynamic factors and processes, competitiveness factors - as a projection to the market on which it operates, i.e. outcome. From this perspective, the organization needs to consider specific aspects, explained hereafter, in order to achieve the strategic objectives.

Organizational factors:

- ✓ financial, human, material resources;
- ✓ system of values and concepts shared by employees (organizational culture);
- ✓ aspects of the information system;
- ✓ issues related to research and development;
- ✓ brand/brands.

Dynamic Factors and Processes:

- ✓ elements that may influence the development of the organization and it performances on medium and long term;
- ✓ the level of adaptation to the dynamic of the environment;
- ✓ mechanisms, workflows and relationships between mission, management processes and quality of the outcomes.

Competitiveness factors of the market where the organization is activating: economic and financial competitiveness; competitiveness of the provided services/products; human competitiveness (including management); technical competitiveness; organizational competitiveness. (Luecke, 2005)

4. Failures in the pursuit of the organizational strategic objectives

Resources are not productive by themselves. Resources must be fructified, transformed into competencies and capabilities by proper coordination and management. Although, core capabilities changes over time and what it was at a certain moment differentiator on the market could change in a short time in an expected demand of the client, fulfilled by the rest of the competitors. From this perspective, the strategic decisions refer to the choice and firm pursuit of long-term development paths of the organizational competences. However, sometimes the lack of coherent use of these resources, as unique assemblies, is the factor which determines the performance gap between organizations or even the loss of a market advantage.(Drucker, 2007)

Why some companies, even big companies, did not realised their mismatch on the market? One realistic answer could be: they did not made a continuous evaluation of the internal and external environment.

In support of the above answer, we bring the following possible arguments, which are showing some common sources of deviations: financial resources did not show a downturn because of the market expanding; obsolete control systems; no feedback from the customer or no analysis of the feedback; no monitoring of the competitors; no monitoring of the legislation; no monitoring of the social and cultural trends; outdated technology; no employees motivation; unrealistic programming of the activity and misallocation of production capacity; no risk management and no contingency plan.

A company may be the first on the market, but could lose easy it prerogatives, if is not paying attention to all the factors that are influencing it strategy. If the downturn is less obvious this let the things get deteriorated more in time, with the risk of a hard and expensive coming back or even worse. In conclusion, in times where the whole economic establishment is trembling, the prepared ones are the survivors on the market. (Jackson et all, 2003)

5. Findings

The topic is extremely current due to the way of approaching the strategic management. This could lead to the formulation of new methodologies and action strategies. The theme offers the possibility to validate (from a practical perspective) and to improve the working tools of strategic decisions used in management analysis.

There is no perfect organizational conception, perfect managerial style or perfect working method. In reality, for each situation, a specific organizational pattern or specific strategic management must be found in order to be appropriate to that situation. In reality, for each situation, a strategy represents the result of internal and external environmental factors and sometimes leads to a remodelling of the organization. This it means to rethink and redefine activities and tasks and, sometimes, requires even the changing of some structural components.

This approach admits that people, strategies, tasks, culture and market environment may differ greatly from one organization to another. Typically, implementing a strategy involves moving the organization to a desired state. The future state to which it tends the organization describes how should function in the future and it is representing a strategic decision. This is effectively conducted when:

- 1. the organization is driven from the present state to the future one, according to the strategic planning,
- 2. the functioning of the organization in the future will meet the expectations (it will work as planned),
- 3. is proceeding without costs that the organization cannot support them,
- 4. the management ensures the achievement of strategic objectives. (Taylor, 2003)

The hypothesis from which we start is that an organization has maximum effectiveness when the main components of the activities are congruent with each other. When an organization encounters efficacy issues caused by managerial or organizational reasons, these problems arise precisely because of the existing mismatches in one or another of the connections or because of the lack of congruence between the organizational components. These aspects could be identified by having a proper analysis of the internal environment, analysis which will show the internal pressures that influence the route of the strategy implementation.

6. Conclusions

The permanent evolution of the organization's external environment could demand the beginning of organizational changes. For example, there may be technological changes, competitive factors or regulations, thus leading to certain changes in organizational strategy. If a new strategy is adopted or the existing one requires changes during implementation, the organization and its various compartments (departments, divisions, etc.) must fulfil some tasks that may be different from those previously fulfilled and this could generate a lot of internal pressure. Thus, it comes to the fact that some changes may be necessary in terms of organizational mechanisms, people and culture. Nevertheless, the findings resulted from a proper analysis of the economic environment give the opportunity to organization to emphasize a modern strategic management. Moreover, relationships interoperability established between the external and internal factors in the respect of the continuously shaping the strategy gives the possibility to develop predictions about the implementation of strategic decisions.

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Rural Tourism an Opportunity for Sustenable Development

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Abstract

The study highlights the importance of rural tourism from a social economic perspective in rural areas. Tourism benefits tourists, hosts, but also the community in which they run. Turim is of major importance to the economic and social life of the area, with direct, indirect, and induced positive effects. Tourism represent an important source of jobs for rural communities. Tourism not only offers business opportunities to local residents, but it can also enhance local quality of life. Tourism can also support local culture in rural areas by encouraging restoration of local and regional historic sites.

Key words: rural tourism, development, innovation, creativity, community, opportunities

J.E.L. classification: L83; Z30; Z32

1. Introduction

The tourism industry is very important from an economic, social and cultural point of view, as evidenced by international conventions and declarations that have been concluded since the beginning of the 20th century.

Tourism, the "smoke-free" industry, is a branch of the economy that is insufficiently capitalized in Romania, with a natural and exceptional human potential.

The world is becoming more and more sought after with its natural and anthropogenic beauties, but especially enlivened by hardworking and hardworking people who know how to restore your mood. More recently, the link between life and work from the countryside is made with the hospitality of the people of the place, making this symbiosis agrotourism, "a form of tourism practiced in the peasant farms (farms / hostels), comprising both the actual tourist activity basic and additional services) as well as the economic (agricultural) activity performed by the hosts of the tourists (productive activities of processing of agricultural products in the household and their marketing to tourists or other commercial networks), as well as the way of spending time free." (Glăvan V., 2002)

Of the forms of tourism that are becoming more and more remarkable is rural tourism, which becomes an alternative to urban tourism.

2. Theoretical background

Although rural tourism has been practiced in a spontaneous, unorganized form since ancient times, in Europe organized rural tourism became known after 1950, and in Romania after 1970, but it was reborn at national level since 1990. Being "Various associations and bodies that aim to promote and develop tourism in rural areas. The most representative ones are: The Romanian Federation for Mountain Development (1990) - which aims to support the inhabitants of the mountain area by promoting, organizing and developing agrotourism; The Romanian Agrotourism Agency (1993) - which aims at linking Romanian agritourism to the international tourism system. The National Association for Rural, Ecological and Cultural Tourism (ANTREC) was established in 1994 as the most representative organization in the field, a member of the European Federation of Rural Tourism (EUROGITES)." (Dobrescu E. M., Nistoreanu P., 2018)

Many authors (Tureac, Turtureanu and Bordean, 2008; Albu and Nicolau, 2011; Fagioli, Diotallevi, Ciani, 2014; Garau, 2015) considered that rural tourism represented a good modality to develope rural areas, monoindustrial region or unpopulated areas.

Rural tourism is a form of tourism that emphasizes the destinations in rural areas with a functional accommodation structure and other services that offer the tourist the opportunity to rest in the tranquility of nature, to explore the beauties of reliefs, to enjoy the traditions, customs, ancestral customs with which he has direct contact.

This form of tourism has been practiced since ancient times, but in an empirical, spontaneous form. The development of rural tourism is a complement to classic tourism, being a cheaper alternative to any travelers' pocket. Today, rural tourism is of particular importance. Withdrawal in an oasis of tranquility in the middle of nature is a haven for tourists wishing to escape from the daily crowds of large crowded cities. Children raised in cities among concrete and glass buildings, among the thousands of road cars, learn here to love nature, to love animals in their environment. Rural tourism has become a way of life, it is a trend of tourism industry development, being a solution to job creation in rural areas, generating additional income, thus contributing to raising the standard of living of the rural population.

3. Rural tourism – types and major pillars

The wide range of motivation to spend your holiday in the country is becoming more and more attractive to young people, families and the elderly. They can take hikes, take part in traditional, cultural, religious holidays to practice different sports regardless of the season.

Rural tourism can be defined as a set of goods and services offered by the peasant household to the consumption of people who, for a certain period of time, come to rural areas for relaxation, rest, recreation, initiation in crafts, etc. (Luca, Chiriac, 2015)

Culinary and wine tourism

RURAL

TOURISM

Heritage tourism

Agroturism

Figure no. 1 The main type of rural tourism

Source: Own processing

The main forms of rural tourism are:

- Agroturism
- **❖** Ethnic tourism
- Culinary and wine tourism
- Ecotourism

- Heritage tourism
- Creative tourism

The major pills of rural tourism are ttadition si wellness, and creativity and autenticity.

A very important pillow of rural tourism is considered to be the creativity "the development of creative tourism is evident in rural areas (where creativity is needed to combat a lack of economic alternatives)" (Commission and the Council of Europe, 2010, p. 26).

"Creativity allows destinations to innovate new products relatively rapidly, giving them a competitive advantage over other locations" (Richards and Wilson, 2006, p. 1215),

Following the model of other countries, where a tree or a rock has their story, creativity and innovation in this area are indispensable, they are often costly and have a major impact.

Romanian tourism needs the urge of creativity to create new tourist products and to value its rich tourist patrimony.

Authenticity comes and completes creativity, resulting in a unique tourist product, given by relief, landscapes, food, zonal traditions, people's attitude, weather. Authenticity is also viewed as a "western cultural notion associated with the past "primitive Other" articulated in opposition to modernity" (Cole 2007, p. 944). Some authors (Wang, 1999, p. 351). have considered that "things appear authentic not because they are inherently authentic but because they are constructed as such in terms of points of view, beliefs, perspectives, or powers".

Traditions can be a tourist attraction if they are well publicized and exploited, and give authenticity to zonal tourism.

The primary purpose of tourism, and of rural tourism in particular, is wellness, the general well-being of the tourist. If this is done, all the other positive effects of tourism come from itself.

•creativity

rural

tourism

•traditions

•welness

Figure no. 2 The pills of rural tourism

Source: Own processing

Rural tourism is also revolutionizing businesses and prompting economic development across the globe.

Tourism brings benefits tourists, hosts, but also the community in which they run. Turim is of major importance to the economic and social life of the area, with direct, indirect, and induced positive effects.

Tourism represent an important source of jobs for rural communities. Tourism not only offers business opportunities to local residents, but it can also enhance local quality of life. Tourism can also support local culture in rural areas by encouraging restoration of local and regional historic sites.

The main benefits of tourism are job creation, job retension, service retention, new business opportunities, opportunities for youths, repopulation and revitalization of the unindustrialized and monoindustrial areas, community diversification, development of arts and tradition, enhances and

revitalizes community pride, landscape conservation, preservation of culture and heritage, environmental protection.

For an area to become a rural tourism destination, not just a stop off point, structured networks and collaborative agreements between public and private sector actors are essential. Community involvement is a key part of the equation.

Rural tourism investment is undertaken largely to improve the economic, environmental and social well being of rural areas. In almost all business sectors research and development involves a partnership between the public and private sectors. The need for partnership is very important if rural tourism is to succeed. For developed and improved the tourism in the area, local administration and the hole community must to involve in:

- Creation of a centre of touristic information
- Creating partnerships
- ❖ Creating new joints, various galleries, exhibitions, handicraft workshops,
- ❖ Development of public transport, utilities network, communication and internet services, scenic road construction
- ❖ Construction of roads, picturesque paths, cycling tracks, on-road, off-road route,
- Counseling and support in obtaining some external funding, training in business and hospitality skills;

4. Conclusions

Therefore, Tourism is not the panacea for all rural problems but it has number of positive attractions.(Long and Lane 2000). It is one of the many opportunities that communities might improve productivity and incomes.

Rural tourism is essentially a private sector activity, driven by income generation and job creation, and often the diversification of agricultural holdings, which is based on landscape and conservation and heritage infrastructure, often financed by the sector public These sectors have the ability to expand, be better organized and use best practices on a larger scale.

Researchers in tourism and tourism beneficiaries have come to the conclusion that rural tourism is the "tourism of the future", and agro-touristic pensions will be a great quest. For this reason, with a lot of creativity and innovation, tourist board managers need to innovate more and more attractive tourist products to "lure" the tourist and make him walk the threshold of the guesthouse and stay as pleasant as possible long lasting.

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Theoretical Appraisals on the Standardization of Tourism Terminology

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Abstract

Explaining the evolution of the concept of "tourism" implies a difficult approach because, like any human activity, it is the subject of an interdisciplinary study, attracting specialists from various fields such as economists, geographers, psychologists and sociologists.

The increasing importance that tourism has acquired in the contemporary era has increased the concerns of specialists to define it as precisely and completely as possible. The specialists' concerns in defining and explaining a lot of implications of tourism on the economy have led to the shaping of a rich theory dealing with this field of activity, theories that try to present alongside the basic concepts with which it operates in practice a series of peculiarities, methodologies for measuring specific phenomena.

Key words: tourism, tourism market, marketing

J.E.L. classification: A1

1. Introduction

Etymologically, the word *tourism* derives from the English term *tour* (travel), or *to tour*, *to make a tour* - to travel, to make a tour, to tour through, a term created in England around the 1700s to designate the voyage. It is considered to be an Anglicism, although the term *tour* - in terms of voyage, periplus, tour, is older and comes from the Latin *turnus* or the Greek *tournos*. The term used on a European scale to designate a journey, a circuit, a form of voyage is the French word *tour*

Some experts (eg, the Belgian Arthur Haulot) also accepts the hypothesis of the Hebrew origin of the word; in ancient Hebrew, the tour corresponded to the notion of travel, discovery, recognition, exploration.

The term *tour* is used for the first time around 1700, in the transitive verb "to make a tour" (or circuits in which many places are visited for recreation or business). Previously, the phrase to take a turn (in or about a place esp. riding or driving) is found (Snak, Baron and Neacşu, 2006, p. 10).

We deduce that the notion of tourism involves visiting, for one's own pleasure, attractive places and objectives, which means both the travel and the temporary stay in the chosen localities for this purpose. "Starting from the premise that tourism essentially refers to people's journeys out of the ordinary residence, its definition must capture aspects such as: the purpose of the journey, the distance and the duration of the journey, and the characteristics of the subject of the journey, respectively of the tourist." (Minciu, 2004, p.12)

As a result, most studies devoted to the field operate with the categories of tourism and *tourist* being called the person who performs a form of travel to satisfy a personal pleasure.

2. Theoretical background

The notion of tourist was used in 1800 by Samuel Pegge, in his book entitled "Anecdotes of English", in the original version entitled "A traveller is now-a-days called Tourist". (Lanquar, 1992, p. 3) Stendhal brings to the attention of the French public for the first time the term tourist in the book entitled "The Memoirs of a Tourist" from 1838.

In 1883, in Switzerland they refer to in a documentary on hotel activity, and in 1896, E. Guyer Freuler publishes a study in which tourism is defined as "a phenomenon of modern times" (Guyer Freuler, 1963). We note, in this definition, besides emphasizing the motivation of the trip, the highlighting of the link between tourism and economic development. In 1910, Belgian Professor Edmond Picard, in an article dedicated to the Travel Industry, defined tourism as "all organs and their functions, not only from the point of view of the traveller, of the actual traveller, but mainly, from the point of view of the values that the traveller takes with him and of that who, in the countries where he arrives with a full wallet, takes advantage directly and indirectly of the expenses he makes to meet his needs of knowledge or pleasure" (Snak, 2003, p.20). The dynamic development of the tourism and travel industry has led to the creation of a large number of jobs. Considered as a socio-economic phenomenon creating important benefits, tourism was defined in the most varied variants: "the art of traveling for its own pleasure", as appreciates Peyromarre Debord-Guy Debord, writer and director.

Swiss Professor PhD W. Hunziker was the one who gave a definition accepted by most schools studying today tourism economy namely: "Tourism is a set of relationships and phenomena resulting from the movement and stay of people out of their homes, as long as the stay and movement does not lead to a lasting settlement or results from any lucrative activity." (Hunziker, 1940). A very close position has also K. Krapf. This leads the two to formulate a more common and more elaborate point of view (Hunziker and Krapf, 1942), but which essentially retains the same elements. The definition proposed by them has the merit of a more rigorous and complex approach to tourism as an economic and social phenomenon, which is why it is a reference element in the research literature. As such, it has been officially accepted internationally. However, the definition has raised many controversies; some authors have considered it too general, others, on the contrary, too limited, because it excludes a number of travel trips that have become more frequent lately, such as congresses and meetings or business trips.

Substantial contributions to the definition of tourism are also brought by R. Baretje (Baretje and Defert, 1972), and J. Krippendorf (Krippendorf, 1971); their opinions emphasize the idea of traveling for their own pleasure, but also the need to include in the tourism area the industry that caters to the needs of the tourist. In the same spirit the more recent definitions of tourism are formulated

In our country, tourism, a component of the service sector, has become, over time, thanks to the dynamism it has known, a distinct field of the economy with multiple connections and implications on the economic, social, cultural and political level.

The essence of the tourist phenomenon unambiguous is the tourist and the travel experiences that he seeks when visiting a tourist destination. In order for a destination to provide, stimulate, high quality experiences, it is important that both policymakers and managers are able to understand the tourist motivation to travel from one's own pleasure as well as the existence of a complex of factors influencing the choice of a destination, their way of travel, and their final choice among the many activities that can fulfil their travel needs (Goeldner and Brent, 2009, p.40).

3. Research methodology

The recipient of the forms of tourism, the one for which multiple efforts are made to satisfy the most diverse needs, is the traveller, respectively the tourist. There is a diversity of opinions in the literature on the topic of travellers, namely the tourist; we must mention the opinions of F.W. Ogilvie, according to whom "tourists are all people who are in places far away from home for less than a year and spend money in those places without gaining them there" (Ogilvie, 1933) or of A.J. Norval: "the tourist is the person entering in a foreign country for any purpose other than establishing a permanent residence or business and spending in the country where he finds himself temporarily the money earned elsewhere" (Norval, 1931). In 1937, the Council of the League of Nations made the first attempt to harmonize the views of specialists, recommending that the international tourist be defined as the person who travels for at least 24 hours in a country other than that in which he resides. Starting from this definition, the following people are tourists:

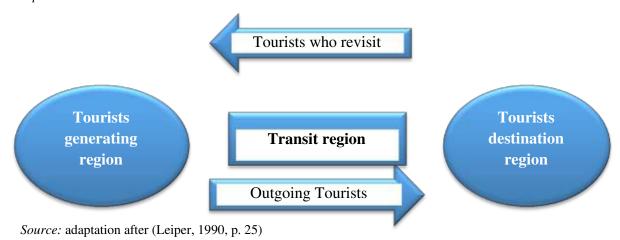
- a) those who travel for their own pleasure, for domestic (family) or health reasons;
- b) those who participate in various international events or missions of any nature;
- c) those traveling for business purposes;
- d) those who carry out cruises

The following do not belong to the category of tourists:

- a) those who come from another country to perform an activity or take up a particular job for which they receive a remuneration;
 - b) those who settle their permanent residence in another country;
- c) those who continue their studies in foreign educational institutions, namely pupils and students who have temporary residence;
 - d) people domiciled in a country and the place of work in a neighbouring country;
 - e) those who transit through a particular place during a longer journey.

Tourism, as shown in Figure 1, also involves the movement of persons from a generating region where the permanent residence is located, passing through a transit area, to a destination region, and then they resume the circuit reversely.

Figure no. 1. Illustration of the circuit made during the travel made by the tourist, on the occasion of the trip



As a conclusion, although the word "tourism" appeared in English at the beginning of the 1800s, after more than two centuries we still cannot say that there is a unanimously accepted view of the definition of the notion of tourism by most specialists in the field (Cooper, Fletcher, Fyall, Gilbert and Wanhill, 2005, p. 12). This is not surprising and is mainly due to the many implications tourism has as a complex phenomenon on economic activities and society as a whole.

According to Chris Cooper, John Fletcher, Alan Fyall, David Gilbert, Stephen Wanhill, there are five elements that reflect the essence of tourism activity, as shown in Table 1.

Table no. 1. Five elements that reflect the essence of tourism activity

Tuble no. 1. 1 ive elements that reflect the essence of tourism delivity						
	Tourism implies the movement of people, to different places or destinations.					
	Two aspects stand out: the journey to the tourism destination, and the actual					
	stay (including the carried out activities).					
THE ESSENCE	The journey and the stay exist outside the regular living and working					
OF TOURISM	environment, so that tourism offers the possibility of experiency different activities					
ACTIVITY	of those of the visited region's residents.					
	The actual travel is a short and temporary one, intending on returning to the					
	regular residence after a few days, weeks or months.					
	Destinations are visited for purposes other than permanent settlement or					
	employment.					

Source: (Cooper, Fletcher, Fyall, Gilbert and Wanhill, 20015, p. 13)

For the most part, the definitions of tourism until the 1990s were mostly formulated from the perspective of demand rather than supply. Practically "Defining tourism only in terms of the motivation and characteristics of the traveling person would be similar to defining medical professions by describing a sick person." (Smith, 1989)

4. Findings

As far as the definition of tourism is concerned in terms of demand, there have already been significant progress, there are two main aspects to be mentioned: firstly, conceptual and descriptive issues need to be clarified, and secondly, the technical issues. As far as the technical aspect is concerned, things are complicated by the fact that there are many economic agents in tourism that serve both tourists and residents, the population in the area or other markets.

The notion of tourism is given multiple meanings, in the vast majority of cases being connected to recreational motivation, which has been joined, over time, by other motivations that resulted in wider definitions in the attempt to be exhaustive. In the last decades, this activity has grown rapidly in many countries, as well as internationally, and today it has accumulated hundreds of thousands of employees, many of which are mainly found in the hotel industry.

Coming back to the WTO definition, it can be considered to be comprehensive enough to cover travel between countries and within countries, for leisure or business, with a longer or shorter duration.

In this context, several forms of tourism can be identified, namely several types of tourism:

- domestic tourism made by residents within the reference country's economic territory;
- receiving tourism, represented by non-residents' travels
- emitting tourism, made up of residents' travels
- indoor tourism is made up of both residents' and non-residents' travels

"As an industrial branch - one can speak of the existence of a very dynamic sector with its own identity, the official name of which proposed by the World Tourism Organization (WTO) and the World Tourism Council (WWTC) is the Tourism and Travel Industry. The Tourism and Travel Industry presents a number of specific features compared to other economic activities as well as a number of common points with some industrial branches. The Tourism and Travel Industry is a consequence branch that is part of the national economy system not as a simple component but because of its specificity as a subsystem.

As a sector of economic activity - tourism is part of the service sector. The membership to the sector is justified by the economic nature of the activity.

As a trade flow in the world economy - tourism is part of the invisible trade, and as an export activity is an internal export. Invisible international trade groups intangible components." (Cristureanu, 2006, p.28).

5. Conclusions

Reflecting global economic trends, growth was largely driven by emerging economies, a development trend that seems to continue in the coming years. This increase in household income in BRIC emerging countries (Brazil, Russia, India and China) and from the rest of the countries of South Asia and Latin America - will continue to fuel demand for leisure that is growing. Similarly, the upward trend in international trade - especially in emerging areas - will lead to a high demand for business travel. In developed economies, consumers may remain cautious, especially in the European countries where austerity programs are being implemented.

The demand for tourism services is expected to remain on the rise as many countries reach a stage of development where recreational consumption is becoming affordable. Many countries have benefited from increased demand and have developed the hospitality industry that generates much-needed foreign currency for the local economy.

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Measuring the Effect of Tourism Propagation in the Economy

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Abstract

The analyses undertaken to estimate the global incidence of tourism spending on the national economy have highlighted the multiplier effect of tourism. The tourism multiplier refers to the changes caused by the additional expenses of tourists at the level of the income, production, employment and balance of payments of a country. The studies conducted to quantify the global incidence of tourism spending on the national economy have led to the establishment of the multiplier effect of tourism, seen as a continuum of inductions, of changes in the purchasing power of the tourism sector in income and expenditure in the various branches of the national economy where tourism has connections, making new revenue each time.

Key words: tourism, tourist, economy

J.E.L. classification: A1

1. Introduction

Tourism has large-scale effects in any region, both in times when there is a steep rhythm of tourism investment in that area, but also when investment produces economic effects. Any monetary unit that enters the economy of a country, region, area or tourist destination - no matter how this impact has been recorded (investments, government, budget allocations), stimulates the economy and not just once, but in repeated turns. Value inflows of this type generate the multiplier effect of tourists' spending. (Fridgen, 1996, pg.136.)

"It is very clear the link between the tourist phenomenon and the national economy, in the sense that there is an obvious interdependence between tourism development and economic growth, because it involves the demand for goods and services that would otherwise not have been produced or rendered. The structure of tourism expenditures reflects the impulse that these expenditures give to the sectors that contribute to the realization of the tourism product, the process of revenue growth taking place first of all in these sectors and then gradually transferring to other sectors of the national economy through" (Mitea, 2005.) (eg construction industry, road network, airports, water and energy supply, textile industry, food industry, etc.). Revenues from foreign tourists represent exports for recipient countries of tourist flows. As a result, sums of money coming from outside tourists travel to the tourist areas visited, it actually enters the economic circuit. Revenue flow diminishing in geometric progression until the respective amounts leave the economic system.

2. Theoretical background

The prestigious economist John Maynard Keynes named exports from tourism, along with the consumption of material goods, by the term *injections* for the economic system, motivated by the fact that tourist expenses for accommodation, food, transportation, treatment, leisure, tourism-related investments and exports generate revenue. Instead, if money becomes immobilized in the population's economies, or has as destination the payment of duties and taxes, it will lose their stimulating power of spending, so that in the Keynesian conception it will "leak" to other areas.

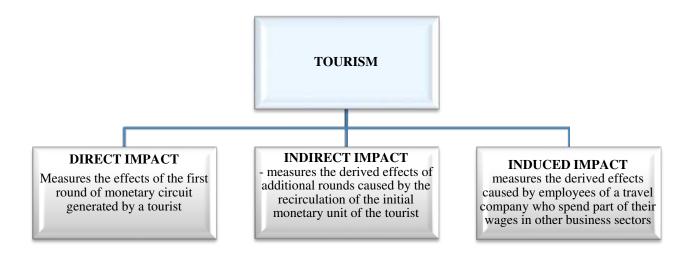
Revenue from the tourism sector will also be directed to different areas of the economy, and so multiplier effects are linked in both cases. The multiplier reflects the influence of investments on income in the economy. Thus, some sectors that have close links with other economic sectors also have a higher multiplication effect, while others have reduced links and multiplication. Thus, the connections will be stronger and the income will be highly multiplied if resorts in a tourist region absorb local labour, acquire goods produced in that area (buy plant and animal products, furniture for the tourist accommodation facilities from specialized economic agents in the area, etc.). The secondary effects of investments in the tourism industry and the multiplier effect of revenues achieved in this industry are two other influences exerted by tourism on the national economy. Thus, at the microeconomic level, cost / benefit analyses can be used to quantify the efficiency of business decisions of the travel and tourism industry, at macroeconomic level this analysis will be used in order to benefit from an overall situation on the whole economy of a country, area, resorts, its purpose being to determine the effects of tourists' expenses as a result of providing tourist activity.

3. Methodology

For the purpose of determining the multiplier effect, three elements contributing to the measurement of the overall economic impact of a certain amount of tourism expenditure are taken into account:

- "Direct Impact Measures the effects of the first round of monetary circuit generated by a tourist (the proportion between the expenses of a restaurant for purchasing the raw and auxiliary raw materials needed to prepare the food ordered by tourists and for the salaries of the staff and the amount of money spent by the tourist in that restaurant);
- Indirect Impact measures the derived effects of additional rounds caused by the recirculation of the initial monetary unit of the tourist (procurement of goods by the companies from other sectors that contributed to the supply of raw materials to the restaurant, necessary to provide the catering services required by the tourist);
- The induced or stimulated impact measures the derived effects caused by employees of a travel company who spend part of their wages in other business sectors (hotel employees spend some of their income for clothing, food, etc.)." (Snak, Baron and Neacsu, 2001, pg. 73)

Figure no. 1. The direct, indirect, induced impact of tourism



Source: Adaptation after (Snak, Baron and Neacsu, 2001, pg.72)

Thus, the overall economic impact is equal to the sum of the three impacts, and the multiplier effect of tourism (K) is calculated as the ratio between total economic impact and direct impact (formula is adopted after Keynes multiplier).

K = (direct impact + indirect impact + induced impact) / (direct impact)

The tourist multiplier should not be approached only as an indicator that automatically reflects the increase of the revenues, being also a reflection of the amounts coming out of the economic circuit by the imports made for the tourism needs, the savings made from the incomes obtained from the tourist activities.

Traditionally, the research on the economic impact of tourism has been achieved on the use of multipliers (Keynesian type), linking tourism and production expenses, income, jobs, or any other result aggregate of interest. Among the advantages of using multipliers, it should be remembered that they are easy to compute and provide a quick and easy path, to determine the effects of changing the size of travel expenses. In fact, the term multiplier is used to show the change that occurs in production due to the change in travel expense. Under these circumstances, it is considered that the real impact of tourism is not represented by the initial spending made by the tourist but by the final impact it has on the economy. (Ennew)

Table no. 1. Presents the types of tourist multipliers of expenses and revenue as well as the usefulness of each one.

SALES / TRANSACTIONS MULTIPLIER	sales multiplier measures the additional turnover achieved by an extra unit of expenses		
MULTIFLIER	Sales multiplier = (direct sales + indirect sales + induced sales) / (direct sales)		
RESULTS MULTIPLIER	similar to the sales multiplier, quantifies the extra outputs earned based on an extra unit of travel expenses;		
REVENUE MULTIPLIER	measures additional domestic revenue generated by an extra unit of tourist expense;		
EMPLOYMENT MULTIPLIER	measures highlights the increase in the number of jobs determined by an additional unit of tourist expenditure;		
GOVERNMENTAL REVENUE MULTIPLIER	measures the extra net income created by an extra unit of tourism expenditure (all forms of government revenue are included);		

Source: Adaptation after (Cooper, Fletcher, Fyall, Gilbert and Wanhill, 2005)

Table no. 2. The multiplier effect of tourism results

Country / Region	Results multiplier
• economically and industrially	2.00-3.40
developed countries	
• Cities	1.24-1.51
• Rural areas	1.12-1.35

Source: Adaptation after (Cooper, Fletcher, Fyall, Gilbert and Wanhill, 2005)

4. Findings

The higher the level of economic development in a country, the more the initial cost made by the tourist for the purchase of goods and services is found in several economic cycles, contributing to a larger extent to the increase in production and net income.

The statistical data tells us that in the case of the less developed countries, the multiplier effect of tourism is two, three or even four times lower than in the economically developed countries, as shown in Table 2.

Regarding the multiplier effect of investments, the situation is the same in the sense that investments in tourism, in the development of a tourist reception structure, for example, is the source of income for the construction industry, the construction materials, the workers from these sectors, all of which ultimately contributed to the increase of net income, of production as a whole.

5. Conclusions

There are, in practice, numerous techniques to measure the economic impact of tourism, starting with the model of the theory, the model of Keynes' multiplier, continuing with input-output analysis and ending with ad hoc models. Although there is a wide variety of mathematical formulas to express the multiplier effect of tourism, the rigorous quantification of the overall impact of tourism, worldwide and regionally, has been a difficult task. The data obtained, which is the basis of the calculations, were mostly incomplete, as there was no unity in how they were collected at each country level. Thus, the results obtained at a global level often did not reflect the real impact of tourism on society as a whole.

Traditionally, the research on the economic impact of tourism has been achieved on the use of multipliers (Keynesian type), linking tourism and production expenses, income, jobs, or any other result aggregate of interest. Among the advantages of using multipliers, it should be remembered that they are easy to compute and provide a quick and easy path, to determine the effects of changing the size of travel expenses. In fact, the term multiplier is used to show the change that occurs in production due to the change in travel expense. Under these circumstances, it is considered that the real impact of tourism is not represented by the initial spending made by the tourist but by the final impact it has on the economy. (Ennew)

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General Considerations on Organizational Change Through Reengineering

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Abstract

Through this article I intend to discuss as much as possible the concepts of restructuring and redesign in the companies.

The objectives pursued by them regarding the increase of efficiency and profitability underlie the conceptual restructuring managers attention. Commercial literature treats the phenomenon by the following: reducing size and diminishing the number of levels of the firm.

Companies use restructuring when pursuing cost reductions, efficiency gains and efficiency, but there is also a negative side: uncertainty and the risk of losing posts that lead to low employee involvement in innovation and creativity.

Restructuring organizations, reorganizing them leads to long-term results, in which case immediate or short-term benefits are not desired.

Countless companies have understood the idea of reengineering by adapting business with techniques that executives and managers should use to reinvent businesses to combat competition in a new world..

Key words: reengineering, Business Process Reengineering, management, change, innovation **J.E.L classification:** D29, M11, O33, O31

1. Introduction

Companies are targeting various goals in terms of increasing customer numbers, increasing sales and, implicitly, profiting, so they bring to the attention of managers and management the concept of reengineering. Many companies are proposing to increase their competitive advantage in an unstable environment. That is why companies can call for reengineering and restructuring, aiming to increase the efficiency of their activities.

Thus, they can re-engage in reengineering and restructuring to increase efficiency through increased customer satisfaction with the goods and services resulting from their activities. The use of reengineering by organizations concerns: clients, competition and change.

2. Theoretical background

According to DEX, changing is to replace one thing with another, to give something of another form, to move. (DEX, 1996, page 959)

Gary Johus, in his book "Organizational Behavior" (1998), appreciates change as the processes or plans that once implemented place the organization or its members to a state of satisfaction. Organizational change involves a number of factors, which is why we can say there may be changes in the organization of companies, changes in tasks and responsibilities, changes in technology, changes in management processes, changes in leadership style, managerial team, staff performance, changes in perception, skills, motivations, behaviors, changes in company performance, changes in company image on the market, etc. (www.armyacademy.ro)

Thus, the term of change refers to the changes occurring in the internal and external environment of the organization, underlining some major transformations such as: Changes in an activity in the form of adaptation, mounting, improvement, but also the removal of mistakes that have occurred in the past reflecting: reengineering, mergers, divisors, restructurings, reorganizations. (Verboncu, Nicolescu, Popa, Ceptureanu and Ceptureanu, 2011, p. 59)

According to Eugen Burdus, "organizational changes are responses to certain external forces, such as changes in markets, different pressures on competitiveness, etc., or certain endogenous variables such as managers' tendency to apply different specific methods / techniques may be determined." (Burdus, 2003, p. 371)

Change is a broad concept and can be triggered by factors such as low productivity, staff fluctuations and strikes, all indicating management's changes that change has become more and more necessary, businesses can change almost every aspect they want.

3. Research methodology

The concepts highlighted in this article have been related to the use of the most relevant aspects of reengineering and organizational restructuring in the respective specialized literature of domestic and foreign sources, as well as internet sources. Following the analysis I want to identify the main advantages that it presents reengineering according to the methods presented.

4. Findings

Reengineering or reconsideration is the reconstitution of processes and phases in the organization to achieve time efficiency, cost reduction, product quality or service quality improvement. It does not aim to reduce existing jobs or structures or technologies, but reduces intermediate actions for process performance and enhancement collaboration between those involved in the process

Reengineering includes certain practices: posts are unorganized and most often developed, special importance is given to teamwork, performance technology is exploited, all involving consumption of financial, human, material, informational resources.

Introducing a reengineering policy is useful when:

- in manufacturing activities, by creating new product ranges, which are demanded by customers, belonging to a demand segment for which competition does not offer alternatives, involves changing equipment, technologies, increasing staff competencies, etc.
- in the service sector customer satisfaction through diversified offers, the customer becoming the center of reengineering policy, firms trying to develop customer relationships by creating a infrastructure to meet their expectations.

In terms of change, action is required to target company tactics, technology used and organizational behavior.

Changes in company tactics are generated by external factors such as: Competitor growth, technological innovation, decentralization that is felt throughout the organization. All of this is needed only for survival, and success is not guaranteed by these changes

Technological change involves changing the technological flux that creates the products and then sells them.

Transformations about company tactics are generated by multiple factors of external nature, increased competition, technological innovation, decentralization, most of which are only necessary for survival, and success is not guaranteed by all these transformations.

These are those that tend to oppose resistance, but they will adapt to the new circumstances when they see that there is no other solution

All these changes are made to achieve performance by organizations, and the action plan should pay attention to the mission of the organization, its fundamental objectives, strategic options, human resources, financial material, necessary information, terms of achievement and competitive advantage of the firm.

The elements outlined above are dealt with in plans and projects that become tools for managers looking for the company's long-term survival and development. (Verboncu, Nicolescu, Popa, Ceptureanu and Ceptureanu, 2011, p. 175).

Changes in organizational culture must also be found in the organization's management system which will take into account the five subsystems: methodological, decisional, informational, organizational and human resources. Organizational culture influences the decision-making process, acting both on the environment and on the decision makers, the factors that influence this culture by denying the situation, and for it to have advantages, it must be helped by the top management, included in the company's rules and employees' improvement programs, and be given time to grow within the company.

Characteristics of change: "In a changing world, the only change is change". (Carnall, 1990, p.3).

We can characterize organizational change for: a competitive advantage that has a major influence on company performance, accountability, convertibility, consistency, accessibility, duration, all helping to deploy complex systems for remodeling processes within the company, following a prior analysis aligning with long-term business goals, with the goal of achieving major financial performance, improving our products and services.

These improvements were divided into two categories, according to Savenport: improving processes and innovation.

It was considered that most of the large and medium-sized companies in Romania identified the need to increase demand by lowering costs and rising incomes, thus resulting directly in profitability.

Business Process Reengineering is the solution of a visionary management that wants to anticipate the evolution of the market and to mediate the development of the company, to predict the competition and to run such a project in time, preparing the company for the subsequent incursions. Usually BPR projects are top-down initiatives, most of the time taken at top management level - managers have the information and power to analyze and decide whether or not to launch such a project. (www.marketwatch.ro).

The concept of BPR is associated with the introduction of a complex computer system by using computer processes that are designed to increase the benefits of processes used at the same level as any other organizational solution.

The objective of the project and the expected results are considered. Thus, the main problems identified in achieving goals are closely related to the availability of human resources, which are the active and determinant factor of the project and the management of change.

These can be overcome by employing qualified staff or improving existing ones, but also by using external solutions such as working with a consultant.

According to the specialized literature, we can identify 3 types of organizations that approach reengineering:

- ~Organizations with a big problem whose unique solution is reengineering;
- ~Organizations that still have no problems but managers anticipate some major: new competitors, new customer expectations, changing economic environment, etc.;
 - ~ Powerful organizations whose management allows them to reorganize.

This approach is achieved through various SWOT diagnostics and analysis studies that lead to the professionalization of local managers and management. To innovation and creativity, to the practical restoration of the competitive power of the organization

5. Conclusions

New organizations, the result of reengineering, will differentiate themselves in terms of buying, producing, selling or distributing their products and services, reinventing themselves with market demands and the power of today's technology, trusting their own strengths, will accept risks and changes.

These reengineering organizations have not changed their business scope but only processes within their customers, or have completely replaced the old processes by gaining success by using the new tools and tactics, this set of processes being called business reengineering.

Business reengineering refers to the use of innovation in technology, informatics, as an advantageous process, the client having to be placed at the center of reengineering efforts.

Business Process Reengineering can be considered a miracle to increase competitiveness, efficiency and effectiveness, with constructive features for components and their management.

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Individual and Collective Attitude Towards Risk

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Abstract

The paperwork considers all aspects connected with the individual perception of risks but also the perception of the investors. Theoretically, there were formulated a series of hypotheses which represented the basis to econometrics patterns, thus surprising the risk dominance and the market dominance about the attitude towards the risk. One of the important aspects considered was the subjectivism of the investors when they appreciate and identify different risk classes. An initial condition for axioma elaboration and construction of mathematical framework is the rational behaviour of the investors. As a mathematical pattern, it is treated under various aspects the futile function of the risk. The theoretical approach supported by the mathematical demonstration underlined the abomination to risk both at an individual level as well as at the market level.

Key words: theoretical risk model, financial decisions, rational behaviour of the investors, useful function, risk useful function.

J.F.I. classification: F30, G01

1. Introduction

The mere exposure of the risk typology highlights a complex analysis field that is difficult to quantify and has uncertain results. Risk analysis is the research subject of the financial science which has developed, in the economic theoretical environment, a series of mathematical risk assessment patterns and risk management models. The limits of these models in quantifying the environmental factors and the subjectivity of the investor make that the individual risk attitude to be different, but in a narrow range it makes possible the assessment of the general behaviour of the market.

2. Theoretical background

Building a theoretical risk model on which the financial decisions are substantiated imply a rational behaviour of the investors which can be transformed in working assumptions (Halpern, 1998):

- Investors are able to choose between two alternatives. After analysing them they can highlight the strengths and weaknesses of each alternative (SWOT analysis) and then they are able to make a correct decision:
- All kinds of alternatives of such possibilities are transitive i.e., if alternative A is better than alternative B, and if the alternative B is better than alternative C, then alternative A is better than alternative C;
- Investors cannot distinguish between them when the alternatives have the same risk or the same ratio return / risk;
- For any investment with uncertain recovery, the investors are able to specify, a number of equivalent alternatives with safe recovery.

Remaining within the limits of the analysed assumptions and of the rational behaviour, there are three categories of investors depending on their attitude towards risk (Stancu, 2010):

Risk seekers are those who take risks even when the risk probability is very high. Psychologically, this is explained by the satisfaction they get when they take risks even if the fate is against. Their stake is the "hidden" profitability potential, namely the one that only they can seize it. It can be noticed that the distinction between rational and irrational behaviour in the market is difficult and in addition both influence the supply and demand.

Risk averse exhibit risk aversion and they take risks only within manageable limits, and if the foreseen odds seem to be favourable.

Risk neutral are indifferent to risk dispersion focusing on the favourable odds.

3. Useful function and risk

Starting from the axioms listed and from the categories of investors and their attitudes towards risk it can be defined *a useful function* (Halpern P.,1998), which indicates how to take decisions about risky alternatives both individually and collectively pursuant to the market dominant feature.

Table no. 1 Assessment of a useful function

Gain/Loss	Useful	Probability
+ 6.000	1	P
- 3.000	0	1 – P

Source: (Vlad, 2015)

We shall take into consideration the investment alternative opportunity offering two extremes:

- a gain of 6,000 units, in the absence of risk;
- a loss of 3,000 units, if the risk would fully manifest.

Those two possibilities can be marked with "1" for gain and "0" for loss.

The utility expected from this pair of probabilities shall be:

$$U = p \times 1 + (1 - p) \times 0 = p$$

Mathematically, we have obtained the theoretical expression of a risk-free investment. In the real economic environment between these two extremes can be achieved an infinite number of probabilities pairs influenced by the manner how the individual is willing to undertake the risk.

Table no. 2. Assessment probabilities of the projected outcome

Indexes		Probability %					
0	1	2	3	4	5	6	
Gain	100	80	60	50	40	30	
Loss	0	20	40	50	60	70	
Projected result (Rs)	6.000	4.200	2.400	1.500	600	- 300	
Invested capital (Ci)	5.712	3.652	2.087	1.304	522	X	

Source: (Vlad, 2015)

 $6.000 \times 0.80 = + 4.800$

 $-3.000 \times 0.20 = -600$

 $Projected\ result = 4.200$

For each considered pair of probabilities are obtained different characteristics of the same project (projected different result). From the point of view of the investor, the projected result should ensure the recovery of the allocated capital and the expected return, which in our case is considered to be 15%.(Vlad C., 2015)

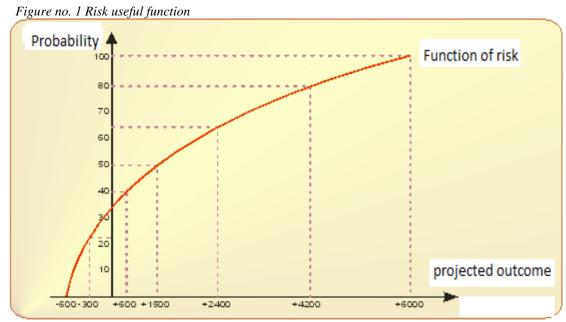
maximum invested capital =
$$\frac{\text{projected result}}{(1+\text{Rp})}$$

where: Rp - the return rate claimed by the financial market

The comparative analysis of the projected outcome with the maximum amount of capital willing to be invested, involves in each case choosing a lower equivalent than what is expected from the project.

Invested capital < Projected result

A second pair of probabilities (80%; 20%) can be compared with the behaviour of a risk seeker, the 3rd pair and the 4th pair characterize the attitude of a neutral investor and the 5th pair reveals a risk- adverse behaviour. The 6th pair of probabilities (30%; 70%) characterizes an irrational risk taking attitude of exceeding the limits of the model presented by the four axioms. However, let us not forget, the hidden potential which was noticed by the investor who was labelled by the market as risk-adverse or irrational investor. The difference up to the earning potential of the alternative investment (6.000 units) represents the "risk premium" which is proportional with the risk aversion. (Vlad, 2015)



Source: (Pierre, 1994)

The graphical representation show a concave trend of the useful function, which leads to the conclusion that both the market level and the individual level risk aversion is the dominant attitude, and that the dispersion and over-dispersion is due to the individual position towards the risk. At the individual level, the useful function would have a convex shape for the risk-seekers, a concave shape for risk-adverse, and for those with neutral attitude it takes the form of a line. The different form of the individual utile function is explained by the different expectations for achieving the profitability potential. Risk appetite relies on a higher effective profitability than the expected one, the risk adversity relies on a lower effective profitability than the expected profitability and the neutral risk relies on achieving the expected return.

4. Alternative investment with different utilities

From previous statement results a dominant market position of risk aversion and different individual attitudes, but within certain limits, which ultimately form the market. Therefore, the market trend is to select the projects with the higher return-risk ratio.

	Project A			Project B		
Analysis variants	Expected financial flows	Occurrence probability	Usefulnes s	Expected financial flows	Occurrence probability	Usefulne ss
Optimistic	4.000	0,30	0,90	1.000	0,50	0,80
Moderate	2.500	0,40	0,80	750	0,20	0,70
Pessimist	-1.000	0,30	0	500	0,30	0,60
Expected return	1.900	X	X	800	X	X

Table no.2. Alternative investment with different utilities

Source: (Vlad, 2015)

At the individual level, the selection is made according to the following investment reasoning:

- establishing the maximum accepted risk level;
- the project with the greatest return risk is selected for equal risks.

In real circumstances, the investor is forced to compare the investment alternatives which have different returns and risks, and therefore which have different utilities.

Utility function for these two projects shall be:

f(U_A) =
$$(0.30 \times 0.90) + (0.40 \times 0.80) + (-0.30 \times 0) = 0.590$$

f(U_B) = $(0.50 \times 0.80) + (0.20 \times 0.70) + (0.30 \times 0.60) = 0.720$

As $f(U_B) > f(U_A)$, in terms of utility, project B will be preferred that gives to the investor the maximum possible satisfaction, even if project A has a much higher expected return.

Basically such a model cannot have the needed accuracy in order to be applied. In addition, the attitude towards risk can change and that involves successive revaluations of the function. The very usefulness is seen differently depending on the individual income (Stancu, 2010):

- a low income required the assessment to be made pursuant to the survival needs;
- a high income exceeds this stage and is generates greater rewards, including the rewards of the game itself.

The two projects being analysed through risk-taking decisions show that a risk-seeker investor would prefer a project which puts him in conflict with the utility and a risk-adverse investor would prefer project B, which is according with the utility.

5. Conclusions

The exhibition of the axioma set necessary to build the theoretical pattern is considered to be enough to measure the behavior of a rational investor for the appreciation and the administration of risk variety of the economic environment. Specific for the investment activities is to identify all feasible possibilities and to compare them in order to select the most efficient. Actually, the identification process of the profitability and the risks for each variant presents important difficulties and there is no certainty about the identification of all risks to their manifestation extent which appears during the temporal investment. Taking a fair decision meets a series of difficulties especially in the different points of the profitability/risk report and in specifying alternatives with safe return.

The subjective aspects play a major role when selecting an alternative with the highest degree of recovery, reason for which the investors are grouped in three typologies as they also form the market as a cluster. Generally, a correct but singular position cannot win as long as the majority has a different opinion. There is also mentioned that the hazardous actions must actually identify the hidden potential of a business.

Starting from the hypotheses set formulated or constructed, a multitude of econometrics patterns try to identify with a high probability the elements of the profitability/risk report. The important fact is that each pattern has its own limits which can be reduced by experience and investment intelligence. Out of all, there has been selected the futile function of the risk. Mainly, the pattern

establishes the extreme winning and losing limits. Between these limits different scripts can be obtained by considering different ways of reaching them. Like that it is defined the inner probable range to obtain the hoped result for an assumed risk according to the typology of the investor: risk seeker or risk averse. The empirical tests administrated show that both as a cluster or as an individual, the dominant attitude is the aversity to the risk and the digression from the general trend appears because of the subjectivism in estimation.

Although, the presented pattern does not seem to present a practical side, the urge to identify and compare the multitude of possible alternatives can be performed with a mental efficient exercise for every investor.

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Reprogramming Mind for Business Success

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Abstract

In the context of business, an opportunity for guaranteed success is to reprogram our mind, diffuse disputes, zap away limiting habits and beliefs and step into more positive feelings.

Firstly, the paper attempts to demonstrate that it is absolutely necessary for our actions to have a purpose in order to bring about self-development and a relationship of rapport.

Secondly, the article helps us to effectively consider the powerful role of finding alternatives and responses to people and situations in today's workplace. The use of neuro-linguistic programming (NLP) tools and techniques allows us to enrich our personal map in the pursuit of business excellence.

The results of the research show that generating new and empowering thinking styles are able to support us in achieving positive outcomes.

Key words: debugging, driving forces, flexibility, NLP, reprogramming

J.E.L. classification: Z00

1. Introduction

Learning in what ways society is capable of change is a big challenge in today's workplaces. Businesses are constantly exploring a world of opportunities to show us what works and what doesn't as well as how to perform at peak levels of energy, focus and effectiveness. They either stand or fall, not because of the quality of their systems and processes, but because of the wisdom, inspiration or talent of their people. Companies are aware of the need for leadership in order to achieve future success. This way, NLP can help us shape a culture of learning, improvement and success. It is a comprehensive set of models and tools for learning and change in response to complex issues confronting the business environment. Searching for ways of getting the best out of people, leaders and managers often resort to various proven NLP techniques that can make a difference between running a team of unmotivated subordinates and turning negative minds into driving forces for change.

For the aspiring executive and not only, NLP can bring personal development, since it describes the workings of the mind, how verbal and non-verbal language is used to express our thoughts. This study helps us realize our potential as a useful "asset" in the world of business, on the one hand, and become an excellent influencer ready to take charge of our career, on the other.

2. Theoretical background

Reprogramming the mind for success means removing past failure-related experiences and making some changes to get different results. That is why, finding alternatives and responses to people and situations can make all the difference between continually seeking new choices and being trapped in what NLP holds as a core premise, namely:

If you always do what you've always done, you'll always get what you've always got.

Thus, trying new things and discovering the *drivers of our thinking and behaviour* by observing how our unconscious mind is working becomes, in my opinion, the cornerstone of NLP. Moreover, what matters most is our ability to start the changing process with ourselves and then with the

people around us. Training our mind for success can be achieved as long as we avoid being stuck in previous limitations. Further on, dreams become goals we can reach.

The beliefs we hold about ourselves or others can either limit who we can be or what we can accomplish. Similarly, the beliefs we have can provide a window of opportunity for us where others see no possibility. Based on these beliefs and our perception of the world, all our actions have a purpose. We do not choose them at random; on the contrary, we have a positive intent in everything we do, even if this intent may or may not be always clear or meaningful according to another person's perspective. We always try to achieve something, although we may not be consciously aware of what it is or how it can benefit us. That is why, the more choices and strategies we have to achieve an outcome, the greater our sense of achievement.

Consequently, by understanding that people filter information differently, have different beliefs, make different value judgements or decisions, we realize that not only do they have different maps of the world, but they also react in various manners to specific events.

The role of NLP is to help us work on ourselves and bring about self-development and change in order to eventually understand the other person and establish a relationship of rapport. All this insightful analysis conducted by NLP experts today (O'Connor, 2001; Ellerton, 2006; Cooper, 2008) stresses that self-direction, self-development, or self-awareness, which can be thought of as features of high achievers, are not possible without metacognitive and affective skills. Metacognitive strategies enable business people to control their cognition through setting and attaining goals, forecasting and planning, self-monitoring, or self-evaluating. Affective skills assist business people with controlling emotions and regulating motivations through making positive statements, understanding one's body (language), sharing feelings, or self - talk. O'Connor (2001, pp. 6-7) explains what NLP can do to bring about self-development and change proposing a fivestage model, which shows our route from working on ourselves, through practice, to becoming the person we really aspire to be so that we can effectively influence others. As he states, NLP is not about "fixing other people and neglecting yourself. Put your own mask on first! When you approach change and self-development, you need to be congruent, determined to succeed and believe in what you are doing. [...] do not sabotage yourself. Secondly, you need to establish rapport, in other words work within a relationship of trust and mutual influence. Thirdly, you need to establish what you want to achieve in that change. Then you can apply one of the many patterns, techniques or combinations of patterns that NLP has developed for change and learning. Lastly, you 'future pace', that is you mentally rehearse the new change and learning" (2001, pp.6-7). He also stresses that, among the basic pillars of NLP, *flexibility* is a key to accomplish an outcome and lead to good results: "NLP encourages choice governed by purpose in a relationship of rapport and awareness" (2001, p.4). Ellerton (2006, pp.5,7) further explains that, as a communication model and frame of mind based on exploration and curiosity, "NLP is a process of discovering the patterns of excellence of experts, and it makes these effective ways of thinking and communicating available for others to use for their own benefit or to assist others". In line with O'Connor (2001), Ellerton also mentions that one of the biggest benefits of NLP is "becoming aware of the patterns, habits, strategies and programs that you have been running unconsciously and then using NLP techniques to change them in order to achieve the outcomes you desire" (Ellerton, 2006, p.7). Cooper (2008, pp.14-18) further clarifies that the idea of increasing our flexibility to get good results, as well as acquiring self-awareness and techniques to achieve aspirations and goals provides us with the opportunity of becoming excellent influencers and thus, overcoming barriers to success in the workplace. From the point of view of accomplishing more by using NLP in business, Cooper openly advocates for embracing NLP tools and techniques in the essential aspects of business life: communicating, leading, and achieving the best results (Cooper, 2008, p.15).

3. Reprogramming mind in order to achieve business success

The terms which are most frequently used in eliciting a strategy are "programming" and "reprogramming"/ "debugging" by means of NLP methods and techniques (Dilts and DeLozier, 2000; Molden and Hutchinson, 2006; Cooper, 2008).

The former refers to the NLP perspective that there is a close relationship between mental processes and computer software programs since, historically, the notion of *programming* in NLP derives from artificial intelligence and information theory. According to Dilts and DeLozier (2000), "Much of the NLP approach to the mind is based on viewing the brain as functioning similar to a computer in some ways. The NLP notion of a cognitive 'strategy' is derived from thinking about mental processes as if they were like software programs in a computer" (Dilts and DeLozier, 2000, p.1013).

The latter consists in giving up ineffective strategies, i.e. strategies that do not work to our advantage and prevent us from achieving positive results. It makes us aware of the possibility to offer ourselves choices which bring us closer to the things we want to accomplish. To put it differently, *reprogramming* ('debugging') works best when we step down limiting/unproductive beliefs and, instead, upgrade and redesign strategies and cognitive processes that function appropriately and ecologically. In Dilts and DeLozier's opinion, "NLP methods allow us to *reprogram* or *debug* those strategies which have become obsolete or ineffective in our lives [...]. Many people have tried to 're-program' themselves by visualizing themselves being successful. For all the people who naturally use this as a strategy, it will work fine" (Dilts and DeLozier, 2000, pp.1014, 1059).

The purpose of NLP is to find out "the programming language" of the brain, by helping us "listen" to our internal language when we visualize our most successful previous experiences. Thus, in the journey of achievement (Nădrag, Gălbează Buzarna-Tihenea, 2018, pp.164-186), it is more positive, insightful and less constraining if our internal language is in the past tense, for example, how we *composed* ourselves before a key moment in our life or career, what we *did* compared to what we *have to do*.

The best-known discussion of programming and reprogramming in NLP stems from the works of Dilts (1994), Dilts and DeLozier (2000) and Molden and Hutchinson (2006) who draw an analogy between human programs / strategies and computer programs. As Dilts and DeLozier (2000) remark, although our powerful personal "computer", i.e. the brain, does not come with a user's manual, our role, as "software wizards", is to encode other people's software by applying their structure (inner programming) to our own experiences: "The cognitive strategies identified by NLP are the mental software used by the bio-computer of the brain. The problem with it is that sometimes the software isn't very user-friendly. The goal of NLP is to discover the programming language of the brain so that we can help get ours and others' brains to do what we want them to do more elegantly and effectively "(my emphases) (Dilts and DeLozier, 2000, p.1014). Similarly, Cooper (2008) argues that reprogramming our mind is really user-friendly, or "in your hands" and proposes to "think of your brain as a bespoke computer, programmed to run you" (Cooper, 2008, p. 10). He adds that by detecting unconsciously held patterns and habits, our mental software can delete old programs and install and upgrade new thinking ones: "After you start paying attention and observing how your mind is working, you have the choice to delete, upgrade or install whichever bit of 'thinking software' you desire' (2008, p.10).

In accordance with the two approaches considered above, a similar argument is put forward by Molden and Hutchinson (2006) who provide a diagram on how programs are formed. As they explain, "through generalizing, deleting and distorting information you create a state, which drives your behaviour" (2006, p.83).

4. Research methods and material

In my analysis, I considered that a worth mentioning approach related to the business environment is Cooper's remark on targeting our language and adapting our discourse when communicating with our partners so that we closely match their map of the world and build rapport. Hence, I have pointed out that it is really surprising how far we can reach with subtle shifts in our language and attitude. I have also concentrated on analyzing debugging programs that hold us back in the business environment when communicating with ourselves, and with others.

The data illustrate that, at work, we often use programs or strategies which function more powerfully for accomplishing certain types of activities than others. We apply certain programs and set well-formed outcomes for just about everything we do: selling products, negotiating contracts,

running projects, delegating tasks, agreeing budgets, setting targets, or making organizational changes.

5. Findings

The findings of the present paper are related to the idea that external events and experiences are most likely to generate *feelings* which, in turn, are automatically *anchored to thoughts* by our unconscious mind. As a result, the aspect of inner programming is based upon the fact that our own understanding of reality (*personal map*) is made through a combination of *external stimuli* and *inner thoughts*, and it is this captured version that we use to make decisions and form judgements. In NLP this is called a 'strategy' for achieving an outcome, "The key is in the knowing the beginning and end of each strategy, so that you can change it" (Molden and Hutchinson, 2006, p.85).

6. Conclusions

In summary, reprogramming our mind involves the process of uprooting ourselves from limiting beliefs until they fade out and generating new, empowering thinking styles able to support us in achieving positive outcomes. As mentioned previously, creating strong values and solid beliefs helps us get what we want when they are stated in the positive and become self-fulfilling. Throughout our life and professional career we are constantly refining them until they empower us to put our knowledge and drive into a goal.

Resourceful attitudes/states of mind are the means to achieve the outcome. By staying committed to the outcome, every problem can be changed into an objective, the scope of NLP going beyond business-specific skills.

Therefore, the advantage of using appropriate "mind control" techniques seems suitable for overcoming barriers and resistance in communication or handling a conflicting situation at work in the best way. Stepping into a colourful and bright mental imagery helps us break an obsolete habit or programme, create an alternative choice and use this to good effect.

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Section IV

Marketing – Management

Considerations on the Importance of Human Resources in the Development of Modern Companies

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Abstract

Human resources possess a lot of intelligence and creativity, initiative and decision-making as well as abilities and the necessary skills to handle different situations. The study aims at presenting the role of human resources in the the evolution of present-day companies. As a general rule, it is interesting to emphasize the fact that all the individuals are different from one another, they have unique personalities and possess knowledge, skills and abilities that are of an utmost importance for an efficient management of the rest of organizational resources.

The study concludes with a brief analysis of the importance of human resources for Google company. What is the reason why the human resources plays a crucial role for the company's managerial performance? From this point of view, we focus on emphasizing the essential features that need to characterize the human resources from Google company.

Key words: leader, human resource, resounding management, discordant management, performance

J.E.L. classification: M10, M12

1. Introduction

Human resources represent the most valuable resource of a company. One of the human resources management's dilemmas is whether individuls need to be assessed through their own personality traits – motivation, personal values – or whether they need to be treated as resources endowed with skills, innovating abilities, and knowledge.

The expression "human resource" refers to a relative complex economic and social category as the human being is superior to all the other types of resources (such as money or machinery). Being an active resource, human resource is the only one capable of managing the other types of resources within a company and thus leading to the growth of the organisational efficiency. The decisions regarding human resources are the most difficult to make as these have to be sustained by thorough evaluations.

An efficient management of human resources is mainly focussed on ensuring a qualified personnel, its training, integration and motivation in order to reach the company's targets. The companies mainly function based on their employees through whose activity reach their targets, thus adding value to all the other company's assets.

Emotional intelligence plays an important part in a manager's behaviour. Thus, throughout the present study, we will both analyze the behaviour of the leaders that possess an emotional intelligence and who are able to cooperate with their employees as well as the impact on the company of the leaders who transmit negative emotions to their employees.

2. Theoretical background

Within a company, the individuals play a twofold role: firstly, they are a vital human resource for the development of the organization endowed with knowledge and skills; secondly, it stands for the very person that has a distinct personality, objectives and personal values that are different from the ones of the company itself. (Chiavenato, 2007, p.43)

Human resources are the only ones that are capable of an exceptional growth and development. Thus, "people are not hired just to fill in some vacant positions, yet, each and every individual is considered for the his or her important role they can play within the company." (Păuş, 2006, p.25)

In a society within which more and more companies come up, people represent a major resource that ensure not only the company's survival, but also lead to their success and development. One can state that the success of a company is related to its own people and their qualifications.

From this point of view, the success of Google company that focusses mainly on the human resources is relevant. The question is why human resources are important for Google company. What are the specific features of the human resources of Google company? These are a few questions that lay the foundation of our present study.

The manager's emotional responsibility is a key issue as within a group he or she has the ability to influence everyone's emotions. (Goleman, et al, 2018, p.25)

As a rule, the abilities of emotional intelligence do not refer to inborn talents, but acquired skills, each of them contributing in an unique way to the resonance created by the manager and, thus, to its efficiency. (Goleman, et al, p. 71)

The management based on emotional intelligence, also known as resounding management, channels all the collective emotions in a positive direction by helping the group reach its targets. As a result, the employees are connected to the manager's positive energy, co-operate efficiently with one another by getting performance.

Managers that are endowed with emotional intelligence make use of empathy in order to connect themselves to their employees' emotional state and establish emotional h other'bonds that make an meaningful effort, know one another well enough, understand each other's values as well as the company's values. (Goleman, et al, 2018)

Nowadays, there are also companies that are managed by individuals with a lower emotional intelligence who promote a discordant type of management. These managers do not possess self-control, are not equipped with the ability of managing their own feelings and promote a kind of management that is a source of constant stress for their employees. Under theses circumstances, people no longer feel safe, are disatisfied, discouraged, exhausted and willing to quit in most cases.

The discordant management is encouraged by those managers that are a source of negative emotions within their group due to those actions that suppress people's hopes and optimism and generate a low performance. (Goleman, et. al, p.70)

3. Human resource – the future of modern companies

The management of human resources is mainly based on ensuring the supply of human resources so that tangible performance can be achieved through the most appropriate methods. Some of the strategic objectives of the human resources management are as follows: the forecast of the number of employees, a rigurous planning of the employees' training and selection, establishing certain rules when dealing with complaints, using certain professional training strategies, managing the salaries, designing certain motivational strategies, providing financial support for the employees.

The management of human resources is considered as the science, mastering and applying certain strategies and personnel policies in order to ensure the necessary human resources that are able to efficiently achieve the company's targets. (Cîndea, 2008, p.31)

3.1. The strategic planning of the human resources

Planning can be defined as forecasting of a a companyts activity. That allows establishing a continuous connection among the planned objectives and the necessary resources.

A rigurous planning of human resourcesnneds to be based on: planning methods that are being used; the accuracy of planning; the company's objectives; the complexity of the information; the planning strategy. (Mathis, et al., 1998, p. 100)

The planning methods. Planning the human resources is based on simple methods that are easily accessible and are influenced by those factors that have an impact on the planning process itself in a positive or a negative manner.

The accuracy of planning the human resources is of utmost importance. It must be based on accurate information and it also needs to be adjusted to the company's profile. In case the suggested objectives are successfully accomplished, one can state that planning has been efficient and accurate. Still, there are situations when certain slight deviations occur. They must not be taken into consideration as such when analyzing the quality of planning as they are part of the natural process.

The company's objectives. The fulfilment of the company's objectives is due to a rigurous planning of human resources. This means that the company's objectives can be accomplished only if the company possesses adequate human resources based on its specific activity. Establishing the company's objectives is not a difficult thing to do. What is far more difficult instead is making sure there is enough skilled personnel to accomplish these objectives.

The complexity of information. The success of a certain planning is the result of the information that sustain the human resources sector. On the basis of this information, planning for the necessary human resources, their proper training and the financial incentives are specified.

Basic principles of planning. The specification of some of the company's principles highlights the positive and the negative aspects that need to be taken into account when talking about the company's activity itself. The means through which a company separates itself from the competition plays an important part in establishing its potential.

The strategic planning of the human resources will serve as an analysis for the future request of human resources of a company, both from a qualitative and a quantitative point of view thus determining the necessary number of employees needed for the accomplishment of the planned strategic objectives.

The strategic planning has an utmost importance as it contributes to the shaping up of the business strategy by identifying those methods that use the existing human resources in the utmost efficient way within the company. Their absence hane a negative impact in putting the business plan into practice. (Păuş, 2006, p.180)

The decisions regarding the recruitment strategies and policies of human resources need to focus on a series of aspects such as:

- Identifying a large number of candidates taking into account the fact that companies possess numerous recruitment sources to cover the number of human resources both from a qualitative and a quantitative point of view;
- > Both the strategies and the company's values need to correspond to the recruitment process;
- The degree to which the company is interested in attracting as many professionals as possible or, on the contrary, if it prefers to focus on attracting more on the less qualified staff that is interested in taking a vacant position;
- ➤ Hiring highly competitive employees with high performances;
- ➤ Keeping the valuable employees as much as possible without exposing them to unemployment. The human resource strategies are a true indication of the company's view on growing the number of its personnel as well as the demands in their field that lead to the accomplishment of the company's organisational targets. Personnel strategies need to have in view as a starting point both the company's objectives and the management of human resources.

3.2. Brief analysis on the importance of the human capital in Google company

Google represents a multinational American company that initiates and manages the Google search. Its main headquarters is located in California (USA) and has small subdivisions in South and North America, Asia and Europe. This corporation offers a simplified and fast way of searching the information on the web by having as a platform an over eight billion sites database. It also manages the online advertising, cell phones and software. Google's mission is to accumulate

and organize all the worldwide information in order to become globally accessible and useful for each and every individual.

Its human and management capital have become very important in the 21st century. It intelligently created a solid culture that focuses on the employees. Thus, the human resources job represents a strategic partner for Google as it centered its attention on the structure of the company's basic features through hiring and keeping solely the best employees in their team. In comparison to Google's technological abilities, the innovative and efficient human resource represents one of the reasons why it has become so successful and famous. Google focuses only on those individuals that are capable of expressing themselves and experimenting as the company gets to hire only the most intelligent people. (http://www.businessinsider.com/google-interview-questions)

Google got to to be ranked on one of the top positions due to its labour force that is based on motivation and talent that have been carefully acquired throughout time.

The series of questions that Google specialists address the potential candidates is pretty interesting: In case you are forced to bring your dog to work one of these days but one of your colleagues is allergic to dogs, what would you do?; What do you know about Google?; In case you were to be remembered by the others in just one single sentence, what would that be? (http://www.businessinsider.com/google-interview-questions)

Some of the essential features of a potential Google candidate (as shown in the above scheme) areas follows: the ability to become a leader, the knowledge associated with the role of the candidate, the cognitive ability, "googleyness".

The ability to become a leader (Leadership) – the members of the department intend to find out from the candidate whether he has ever been capable of mustering a team. For instance, the case when the candidate stood up in his workplace as a team-player in spite of the fact that he was not officially named the team's leader.

Knowledge associated to the candidate's role – Google is on a lookout for people that have different hobbies not just skills that hinders them in doing something else or limit them in their personal development. Google wishes that any candidate had the necessary knowledge for the position they would like to apply for in order for them to succeed. For example, in the field of engineering, Google teams will mainly focus on the knowledge both in the technical expertise field and the coding skills.

Cognitive ability – in comparison to other companies, Google is not focussed on the candidates' grades, but on the way the candidates think. In most instances, those who are willing to work are the chosen ones. During the interview, they are allowed to ask some questions regarding their "role" that is closely connected to their ability to solve a problem. Preferably, the potential candidates are expected to analyse the problem presented to them in detail and not to rush in giving the "right" answer.

Googleyness – this term was coined by the giant Goole and does not exist in the dictionary. Yet, it refers especially to the values that Google looks for or favours as Google is not in search for the human resource that resembles the company's present employees. For example, one of the potential Google candidate needs to be preoccupied by the importance of self-awareness. He should not consider a project from the point of view of an employee, should not think as an employer but rather as a manager to ensure the guaranteed success of the project.

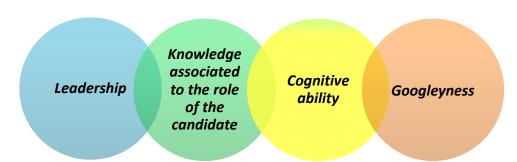


Figure no.1. Essential features of a potential Google candidate

Source: http://www.businessinsider.com/google-interview-questions [Accessed June 2017]

The company focesses on the comfort and well-being of its employees. Based on its corporate culture, Google has created numerous benefits for its employees in its offices which determined the potential candidates dream of a job within this large company. As a result, the working conditions are impressive: a high quality standard comfort for each and every employee, snacks, a large variety of non-alcoholic beverages and the daily meals (three per day). The company makes sure that they have everything they want so they focus solely on work and on accomplishing all their tasks.

The training process of the Google employees focuses on the analysis of their needs as Google makes use of certain patterns: the organizational research, the work analysis and the costs-benefits research.

The organizational research aims at identifying the potential needs of the human resources based on the company's situation. For example, in the event of an analysis of the newly launched products or of some unforseen investments, Google uses an organizational analysis in order to identify its employees' demands. On the other hand, the work analysis focuses on identifying and satisfying the demands that are connected to the fulfilment of the company's work demands at that moment. Most of the times Google uses this work analysis to the new positions. The cost-benefits analysis emphasizes the practical feature of the employees' training as the activity of the human resource manager is geared towards valuing the benefits that have been accumulated throughout these programmes.

4. Conclusions

Human resource is the main element that characterizes the company's success. That is why the modern management is primarily centered on the individual. The companies are first and foremost concerned with the quality and the development of the human resources.

The "human resource" concept refers to the total amount of physical, professional and intellectual abilities that are used both during production and services. On a company level, the human resource refers to the total number of employees that are involved in the company's growth. The management of the human resource also brings to attention the role of the employees within the company. This role is determined by the economic and social relationships and mechanisms. The human resource has always attempted to perfect its skills and to get the support from the company. That is why it is important for a company to be able to satisfy the needs of its employee who, in return, to be able to have a tight connection with it in order for him to be praised and financially stimulated for his efforts. We, thus, believe that the role of human resources in the evolution of present-day companies is of utmost importance as the individuals are the ones who have a positive or a negative influence on the company's success. As a result, the role of the human resource for the evolution of the modern companies is crucial as the individuals are the ones that exercise a positive or negative influence on the enterprise's economy.

For example, the management of human resources within Google company offers each and every employee programmes that help them grow professionally in several ways: discussions, simulations, initiations and hands-on training. A key aspect in the employees' training refert to the open discussions that allow them to be part of a consistent and open communication process. Due to this efficient communication process, these initiation and training programmes help and consolidate the feed-back among the students. That is why, Google has implemented simulations in order to ease any kind of creative initiative of its employees. The target of these simulations is to help the employees to easily understand the details related to their work responsibilities that will lead to the accomplishment of their projects.

The design of the professional training programmes within the company is represented by an relational model and another one that is geared towards getting results. The relational model focuses solely on emphasizing the relationship that exists between the company and its employees. In order for the creativity and innovation process to continue to exist within the company, Google attempts to maintain the positive relationships within the company. The model that aims at getting results indicates the training's possible results. For example, in order to introduce an initiation and training programme, Google applies this pattern to ease its employees' training. Thus, the pattern

that focuses on getting results consolidates the efficiency of Google's human resources whereas the relational pattern improves the relationships among the company's employees.

In conclusion, we can state the fact the leaders who are able to motivate and connect with their employees are those who work for Google company. The employees who have the knowledge regarding planning and thinking strategically are the ones representing the company's performing human resources.

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Role of Agro-Food Products Marketing in the Development of Agro-Tourism

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Abstract

Through this paper, we aim to highlight marketing as the function that distinguishes the needs and aspirations of customers, that challenges the markets that can best be served and to create products, services and programs recommended in servicing these markets. Of all the definitions given to marketing over time, it is clear that the purposes of marketing implementation are: ensuring consumer satisfaction and increasing the profitability of the business. The need for consumption is the primary element of demand, it has an objective character and is determined physiologically, socially, historically and psychologically. Agro-food products are especially designed to meet a physiologically determined need and provide, in addition to oxygen and fragmented water, the supply of nutrients to the human body. The agro-food demand of residents relates to physiological needs and is caused by endogenous and exogenous, equal and individual factors.

Keywords: marketing, agro-tourism, agricultural product, demand, satisfaction

J.E.L. classification: E62, H20

1. Introduction

Agrotourism expresses some characteristics that distinguish it from the established standard tourism, namely: tourism consumption takes place in the rural area (essentials are: the quality of the rural or agrotouristic pension, the customization and the adaptability of the reception services to the farmers, the knowledge of the natural, human, cultural, as well as the originality of tourism products); the touristic offer is authentic, original, diverse and personalized, organized and run by farmers (by the village people with characteristic dimension for the represented ethnicity); is an authentic activity complementary to agricultural holdings and not an alternative or a substitute for it; provide residents with lower earnings the potential for rest and recovery, for fun in their free time (leave or weekend, in a delightful view of the rural framework, with a cultural and educational significance and a characteristic reception); are not required large facilities for organizing tourist equipment; is a diffuse tourism (due to the specificity of its diversified offer and its large spread in space); through good management, the farmer can create the right environment for incursions over time to the unforgettable moments of childhood for his guests; is not compatible with mass tourism (developed in resorts and tourist centers and in peri-urban areas).

This paper focuses on the evolution of domestic tourism and agro-tourism in Romania, and its ultimate goal is to identify the causes that make Romanian tourism still a non-performing one as well as to find solutions for revitalizing agro-tourism activity through marketing.

2. Materials and methods

Agro-tourism, though confused with the two notions of rural tourism and green tourism, has even clearer differences, which distinguishes it clearly from the other two forms mentioned.

Agro-tourism is also defined as "a form of tourism practiced in the countryside, based on the provision of accommodation, meals, recreation and other services within the household, thus making better use of the natural and anthropogenic resources of the area and contributing to raising the living standard of the rural population" (Stănciulescu, et al., 2000). Another definition considers agrotourism as a "form of tourism practiced in rural areas, which uses (as a structure of tourists' reception) the agro-touristic household, with all its facilities. It is the most efficient way of capitalizing on the local resources existing in rural areas" (Stăncioiu, 1999).

Agro-tourism therefore means staying in the farmhouse-boarding house, farm, etc.; consumption of agricultural products from that household (sometimes is even indicated a ratio-at least 20%) and participation in a greater or lesser extent to specific agricultural activities (Minciu, 2002).

Agrotourism can also be defined as a "specific form of tourism, of a certain complexity, in which are found two independent activities, the economic one, mainly agricultural and/or forestry, and the proper tourism including accommodation, purchase and preparation of food, provision of services, tourism, etc." (Crăciun, 2009).

Radu Rey believes that "in the mountainous areas that meet the necessary conditions, tourism, in organized forms and combined with mountain farming, can become a complementary solution, directly supporting the development of agriculture, animal husbandry, with positive effects of both economic nature and socially" (Rey, 1985).

Based on the researches carried out, the interpretation of the statistical data and the literature, we conducted an in-depth analysis of the main natural and socio-economic factors that allowed the determination of the fundamental structures of the geographical space with tourism valences.

Tourists themselves have become more sophisticated in terms of their demands; it also refers to the luxury offered by the various locations, encompassing life situations as the cultural viability connected to the provincial society and learning about flora and fauna, etc.

Understanding the fundamental definitions and concepts used in the context of the travel and tourism industry provides an essential framework on which most of the industry's discussions are based. Because of the intangible nature of tourism, the usual definitions of terminology benefit the industry in a number of ways.

Agro-tourism is situated on a stage interposed between the health situation of the person and cause of authority. This stage justifies it double-activation, reflecting a fundamental task in the organization of life quality and included in economic growth.

3. Results

Agrotourism is a current concept is the European Union, this expression reported to the rural tourism is supporting by the owners from the countryside - usually as a collateral activity - activity broken down in their own house, remaining the main occupation and source of income.

"There is often a distinction between "agro-tourism" and "farm tourism" or its equivalent, which is used usually to simply and clearly designate the use of farmhouses as accommodation places for tourists" (Nicula, 2008).

Consumption of agro-food products vary within a relatively wide limit "from one individual to another, nutritionists believe that a normal caloric diet is around 3000 calories a day, and 100 g protein, of which 50 grams of animal protein and 50 grams protein of vegetal ones." (Ţimiraş, 2007a).

Table no 1 Vegetables and vegetables products

YEAR	2015	2016	2016/2015
	tons	tons	-%-
SYNTHETIC INDICATORS			
9. Gross average annual food consumption - kg / inhabitant	158,5	155,9	98,4
10. Annual average net food consumption - kg / inhabitant	158,5	155,9	98,4
11. Daily average net food consumption - g / day / inhabitant	361,3	355,1	98,3
DERIVED INDICATORS			
12. Average daily intake of food, expressed in calories number/capita	125,2	122,1	97,5
	123,2	122,1	71,5
13. Daily average food consumption, expressed in protein grams/capita	5,66	5,54	97,9
	22,70	22.12	97,4
14. Average daily consumption, expressed in carbohydrate grams/capita	22,70	22,12	97,4
15. Daily average daily consumption, expressed in lipid grams/capita	0,90	0,88	97,8

Source: Adapted from INS (http://www.insse.ro/cms/ro/tags/bilanturi-alimentare)

Table no. 2 Fruits and fruits products

YEAR	2015	2016	2016/2015
	tons	tons	-%-
INDICATORI SINTETICI			
9 Gross average annual food consumption - kg / inhabitant	87,8	96,0	109,3
10.Annual average net food consumption - kg / inhabitant	87,8	96,0	109,3
11. Daily average net food consumption - g / day / inhabitant	197,5	214,0	108,4
DERIVED INDICATORS			
12. Average daily intake of food, expressed in calories number/capita	164,6	179,4	109,0
13. Daily average food consumption, expressed in protein grams/capita	2,36	2,51	106,4
14. Average daily consumption, expressed in carbohydrate grams/capita	28,43	31,39	110,4
15. Daily average daily consumption, expressed in lipid grams/capita	4,21	4,45	105,7

Source: Adapted from INS (http://www.insse.ro/cms/ro/tags/bilanturi-alimentare)

Philip Kotler highlights the types of marketing strategies according to the actual consumer demand for a company's goods, considering both the evolution of consumer demand over time and the degree of achievement of a certain level of sales.

Engel, Blackwell and Miniard in Consumer define the consumer's behavior as "those actions of the individuals directly involved in the process of obtaining and the use of goods and services, including the decision process that precedes and determines these acts."

However, when talking about consumer behavior, we need to consider not only individual consumers, but also industrial or organizational consumers, literature making a very clear distinction between the two categories.

Also, in the literature there is also a distinction between the notions of buyer and user.

The buyer is the one who is directly involved in making the sales act, the one who comes into possession of a good, paying his equivalent, not being always the consumer or user of the good.

As one country or another develops, in the context of contemporary scientific and technical progress, studying and understanding consumer behavior is a very important desideratum for the modern enterprise, not just an option, but as a necessity for any organization acting in a competitive environment.

If the distribution were more balanced, this consumption would in turn be more attenuated. It has been found that, as income is higher, consumer behavior is dominant in striving to equate or even to beat others in consumer activity, to the detriment of habits.

Table no. 3 Marketing strategy for the consumption demand on the agricultural product market

Situation of the consumption demand on the market	Marketing strategy
Negative demand	Conversion - will apply in the case of a negative claim, in which the buyer refuses a product for some reason (mistrust, tradition, etc.), which will force the firm to initiate some actions to turn the buyer's negative attitude into a positive attitude.
Absence of demand	Stimulation - will be adopted in the absence of demand as a result of customers not knowing the products, in which case the company's shares will be directed to buyers, to urge them to try and buy the goods offered and desired by them.
Latent demand	Development - will be required in the case of a latent demand on the market, and the company will act in the direction of improving the quality of products and services offered to customers.
Declining demand	Remarketing - will be used in the case of declining demand, requiring a revival of sales by launching new products, replacing unsightly packaging, etc.
Fluctuating demand	Sincro-marketing - It is recommended if there is a fluctuating demand on the market, between supply and consumption, and there is a difference that is different in time.
Full demand	Maintenance - aims to maintain consumer demand, if it is complete, both in quantitative terms, but also in the level of quality achieved.
Excessive demand	Demarketing - may be adopted by the firm when demand is in excess compared to its bidding capacity. This can be done through an increase in sales prices, in which case a general reduction in consumer demand is achieved.
Undesirable demand	Antimarketing - can be applied in case of an undesirable request, the company promoting a series of actions designed to discourage the actual or potential consumer

Source: https://vdocuments.site/subiecte-rezolvate-marketing.html

Marketing research fulfills an essential assignment in the marketing model because they provide the necessary information for its operation.

Based on these, the market features and opportunities are known and the problems which the market's faces are known and can be solved the unpredictable situations faced by commercial companies.

In the complex activity of promoting agro-tourism, an important role can be played by the promotion of agricultural products.

In this sense, two or three groups of specialized households can be formed in a certain direction of capitalizing on the production specific to the area (fruit trees, grapes, legumes, etc.).

- One of the groups will specialize, for example, in making fruit or vegetable cure;
- Another group of households will specialize in processing fruits and vegetables with typical traditional recipes of the area (pellets, jams, etc.);
- In another group of households, which have a larger surface, the mechanized processing of fruit and vegetables with small refrigeration machines will be organized, and small quantities of fresh, particularly appealing products will be packed.

All these activities will bring additional income to households.

"The development of agro-food marketing has taken place concurrently with the development of the economy in general, of the agricultural and food sectors in particular. The different levels of economic development recorded by the world's states are reflected in different stages of marketing development, implicitly of agro-food marketing.

Regarding the link between economic development, in general, and the development of agricultural and food sectors, it is noteworthy that the development of the agricultural and food sector does not register the same growth rate as the economy as a whole.

In countries where positive economic growth rates are generally recorded, the share of the agricultural and food sector in the overall economic outturn is decreasing. This is determined by the nature of the needs that are mainly addressed to agricultural and food products.

In Romania, the agricultural and food marketing chain is very fragmented. This fragmentation creates difficulties for food processors and traders, who are unable to ensure sufficient quantities of consistent and acceptable quality products on the Romanian market. Under these conditions, Romanian products penetrate very hard in the formal markets, most of the production reaching the peasant markets." (Ţimiraş, 2007b).

4. Conclusions

A comprehensive and sustainable rural development program cannot be conceived without starting from the realities of the present, no matter what they are.

In order to radiograph the present state of the Romanian village we must start from its physical structure: the dwellings, the houses, the farms and their equipment, from the present infrastructure of the rural territory, because between these elements and the economic and social state there is a two-way conditioning.

Agro-tourism is a current notion in the European Union, this expression referring to rural tourism supported by country holders - usually as collateral activity - the activity broken down into their own home remaining the main occupation and source of income.

In developed countries, the universality phenomena related to the delivery of the agricultural product from the agricultural farm at the end customer, takes place through the logistics stages of the product.

Compilation of logistics steps target the guarantee and satisfaction of customers from the point of view of quality, variety, tariffs, distribution points for agro-food products.

The collection of agricultural products within their recovery chains is a particularly important activity due to the assumed economic role.

In order to reach customers or consumers, agricultural products follow circuits during which they are subjected to multiple sorting, calibration, packaging, handling, transportation, storage operations.

Consumer buying behavior and the food consumption form the resolutions performed at a singular or as a whole level, in accordance with the purchase and use of their food products, predestined to meet the current and future food demand, comprising crucial actions that are to come and those that decide purchase, use of this type of food.

At the same time, consumer behavior has been described as "a dynamic interaction related to impressions and perceptions, behaviors and natural occurrences, through which human beings direct the changes in their own lives" (Blythe, 1999).

A company must draw the public's attention to differentiate itself from its competitors. Although that mainly the products are the ones that are actually in competition on the market, it can be said that they are based on ideas, and these are generated by the research-development activity. For a company, innovation is very important, but also expensive.

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TOC, Lean, Six Sigma Are Complementary?

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Abstract

Improving the performance of a company, whether it be services or production, depends on a detailed understanding of its structure to survive to world-wide competition. The six sigma, lean management, TOC plays an important role in resisting global competition. Constraints theory is a systematic approach that identifies the weakest links in a system and has focused on improving it by improving the overall efficiency of the company. This scientific approach is designed to provide an in-depth understanding of the interdependencies between these three approaches and to evaluate their contributions. This step-by-step approach aims to analyze very important features about TOC, Six Sigma, lean, when used to continuously improve processes in manufacturing systems. The results of this scientific approach have shown that tools such as TOC, lean, Six Sigma have complementary aspects that overlap with the exclusion points and that there is a wide open field for research on the subject.

Key words: TOC, lean, six sigma, constraint, improvement

J.E.L. classification: M41

1. Introduction

By completing this scientific paper, we propose to evaluate the complementarities between TOC, Six Sigma, Lean Management, the latter being two management methods dedicated to eliminating common variations as defined by E. Deming in 1997. The main objective of this paper is to investigate whether tools like Lean Six Sigma Constraint Theory (TOC) are complementary and are a perfect combination to continuously improve processes in production environments. This study is important because it is based on identifying the main features of these tools. These approaches focus on continuous improvement by the enterprise, but as a rule, such approaches have reached the performance limit, given the complexity and competitiveness of current markets. In addition, it is useful to find new tools of other approaches to make the current strategies more robust for a better continuous improvement over global competitiveness

Constraint Theory (TOC) assumes that a chain is not stronger than the weakest link, as a new management paradigm (Jaeck, 2008).

This means that processes, organizations, etc. are vulnerable because the poorest person or part can always damage or break them or at least negatively affect the outcome. In the United States Implementation of the TOC instruments has had some impact on the economic sector, in particular, on the results obtained with the Manufacturing Optimized Production Management (OPT) software. From the beginning of the 21st century, there have been numerous applications in a variety of areas: small, medium and large companies, such as, US mariners, health systems such as National Health Service in England, educational systems in Poland, Mexico and the Philippines, non-governmental organizations. According to the constraints theory (or TOC through its English acronyms), localized management is the main cause of many of the problems we face today in companies, such as lower overall performance results than expected, difficulties in securing and to maintain an advantage on the strategic market, financial difficulties, customer expectations with regard to the services offered are rarely satisfied, the manifestation of conflicts between employees from different departments (Burtan-Houle, 2001).

2. Theoretical background

Six Sigma and Lean management stem from statistical process control of Shewhart and Deming. These statistical processes were carried out at the beginning of the 20th century. The Americans rediscovered the work of these two researchers when the Japanese automotive industry, especially Toyota, began to invade the US market. Six Sigma approach and the Lean Management are now assembled in the fundamental specialized literature. Recently, more authors describe the complementary approaches of Six Sigma, TOC and Lean Management, in a new book that featured the book The Goal. This reflects the issue of distinguishing managerial practices that have been developed by Six Sigma and Lean Management over those of TOC, often confused in literature, so many companies, especially Anglo-Saxon, ask their staff to study The Goal as a reference for Lean Management. Constraint Theory (TOC) was invented by Dr. Eliyahu M. Goldratt in 1984 in his book The Goal. The Israeli physicist has developed a revolutionary method of programming production at the time, there were several accepted and available methods such as MRP (Lakshmi, 2014, 334). TOC or the theory of constraints evolved from the OPT (Optimized Production Timetables) system and was later known as the Optimized Production Technology (OPT). The central idea of the TOC philosophy was that any organization or system has a constraint or a limited number of constraints that dominate the entire system.

Thirty years after the publication of The Goal (1984), Constraint Theory has been the subject of numerous experiments and publications in the Anglo-Saxon world, particulary in the United States, North Europe, and over the past ten years, in India and Japan. In addition to Goldratt's publications, many academic books have been published about TOC. Ronen et al. in 2006, for example, describe TOC applications in the health industry. Mabin and Balderstone in 2000, implies an interesting review of international literature on TOC. Kim et al. in 2008 it focuses in particular on the thinking process based on articles in revised journals and conference papers published between 1994 and 2006. Watson et al. in 2007 discusses the evolution of TOC over time. Recently, Cox and Schleier in 2010 have compiled the Handbook of Constraints. However, despite the very wide adoption, several factories failed at the time of implementation. In analyzing these failures, Goldratt concludes that the main problem comes from understanding how the commands are produced. This led him to publish the book The Goal. This book was made in 1984. It presents in a narrative format the fundamental techniques of the theory of constraints. The book sold well for over 5 million copies, translated into 21 languages, making it a necessity for many people in many training programs around the world.

3. Methodology

The object of the scientific research is to identify the complementarity between the lean approach, the six sigma approach and TOC. The issue of the scientific approach is the following: approaches such as lean, six sigma and constrain theory are complementary? The resultats of this research generate us knowledge in operations management. academic research requires understanding of the current state of research problem. A systematic review has shown that identification between TOC, lean and six-Sigma is a recent topic in literature and thus an opportunity for further research. The scientific approach was based on the study of the specialized literature. Throughout the work we have provided the interaction between different studies of scientific literature to discover new information on the subject. This scientific approach has been achieved through a theoretical documentary research, aiming at acquiring the necessary, new, advanced knowledge for starting the empirical research process. The information sources used for this research include: specialized books, national or international; specialized articles published in reputable magazines, recognized at national or international level.

4. Findings

Although many projects have proven to be successful, poor programs are struggling to be on the right track, according to a recent study by the ARC Advisory Group: Many Lean programs are struggling. In a recent Lean Enterprise study, 36 % of Lean practitioners believe that their businesses are returning to their previously used work habits.

The same phenomenon was also observed in companies that implemented Six Sigma. Even those with very good initial results have difficulty preserving the impetus of their programs, and in some cases the programs have been stagnant. And yet why? One of the problems is that many organizations implement too many Lean, Six Sigma or a combination of the two. Managers complain that they have reached a saturation point and that they do not know what the important projects are. This issue is highlighted on the basis of the essential assumptions that formed the basis of this scientific approach: Lean's key assumption is that waste disposal will automatically and obviously result in a fundamental improvement in performance, but it is not valid under all circumstances, nor the circumstance that using the Six Sigma will reduce variations, which will automatically lead to a general improvement of the system.

It is very difficult to bring arguments against the philosophy of continuous improvement, but the economic reality is that companies want an efficient and maximum improvement that requires a minimum investment. An attempt to bring about continuous improvements throughout the entire process involves employing many employees within the economic entity. However, in fact, determining the processes and eliminating all waste from the entire economic entity does not result in an unnecessary cost reduction, and does not result in an increase in revenue automatically. Under these conditions, how do managers manage to determine which are the core projects and what are they not? If the priorities are everywhere, then there is no priority! It also happens that the organizers of these projects perceive them only in terms of local optimization, without taking into account the entire organization. In a prominent case, a procurement department has launched a cost-cutting initiative: the company has made huge savings by purchasing components in China, but these economies havecost very high because the delivery time was very long and very uncertain - 6 weeks on average and sometimes 8 weeks - during the time when the cycle was a key competitive factor on the market. The backup solution was large deposits, filled with stocks of intermediate components. The company was very close to the abyss and winding up.

This is a classic situation that involves many local improvements that result in compromising the system as quickly as possible. The economic entities that have made global efforts with Six Sigma or Lean - with a multitude of projects in the same period - have predispositions to this difficult situation. But how can managers be able to understand the effects of local initiatives on the economic entity? The combination of constraint management, Lean, Six Sigma, may have the key to this difficult question.

Economical entities that have obviously and effectively used Six Sigma and Lean have been able to eliminate many of the variations and waste of their processes many times and have been able to make profits in an easier way. But what is the way managers will decide what appropriate Six Sigma, Lean improvement initiatives will be launched?

First, however, it should take into account the objective of an improvement initiative: in the situation of the economic entities, the increase of the shareholder value by increasing the net profit and by increasing the profitability of the investment. Managing with the TOC instrument creates a framework to highlight and measure the impact of a particular local initiative globally. For example, when output increases - without affecting investment and running costs in line with the TOC definitions - then net profit and return on investment are simultaneously increased. When it comes to deciding to implement local improvement with Lean or Six Sigma, managers should consider the impact on the three indicators - capacity, investment and spending.

The position of TOC management is that the focus should be first on increasing capacity, then lowering investment, and ultimately lowering spending. Respecting the management framework, using TOC for Six Sigma and Lean projects, companies avoid problems when the priority is to reduce costs. Let's take a look at the cases of many companies that have been excessively committed to waste disposal, in order to reduce costs without making such great efforts in new sales. Excessive, sometimes personal, abilities are perceived as wasting, and that perception results

in certain problems over a long period of time. First, reducing capacity to meet demand creates a little room to increase demand: if capacity has been diminished, it will not be easy to raise it back because it requires a certain amount of time and an amount of money to find and recruit a number of employees with professional skills.

A second situation is the effect of these decisions on future performance and morality: how can the actors of the economic entity achieve cooperation on Six Sigma, Lean, if they know they cut off the arm they stand on? From this point of view, all initiatives for continuous improvement are condemned.

In order to determine what should be improved, it is very important to remember that a system can be governed by a small number of constraints. Rule 80/20 consists in the fact that 20% of the initiatives will lead to 80% of the results. But what is the moment when we understand that constraints condition the improvement of the system? It is interesting to consider that only some of the elements will have a very significant effect. Specifically, Rule 80/20 will be Rule 99/1. We need a process to ensure that this constraint lies at the heart of our efforts. We study below the five steps of constrained management improvement (Jaeck, 2014, p.309):

- ✓ Identify system constraints. Where does the factor that leads to the limitation of performance of the economic entities position? An analysis of the symptoms of economic entities may have the effect of constraining diagnosis. An example may be that for a production unit that can not achieve enough to satisfy all demand, constraint may be the machine whose capacity is also a constraint;
- ✓ Decide how constraint should be exploited. When the constraint was established, managers should do something to maximize performance. An example, is when a machine is a constraint, all sources of waste during use of this machine must be removed;
- ✓ Understand economic constraint. It is very important and necessary to determine how other resources should work to cope with stress;
- ✓ Removing constraint. Managers need to work to eliminate constraint. This can take the form of additional equipment or additional labor.
- ✓ Go back to Step 1, but be careful of inertia. At one point, constraint may change. It is necessary and important to establish the new constraint and redirect our efforts and not to continue to focus our efforts on the previously identified constraints. An example is that production capacity can be improved, and the market and the market will be the constraint of the system. In this case, efforts will have to relate to sales forces.

Following these 5 steps is facilitating the stage in which the process of continuous improvement develops, as an economic entity always has at least one constraint. Lean, Six Sigma approaches should therefore be prioritized and evaluated and reprioritized and reassessed over time, in the context of their impact on the successive constraints of the economic entity. So, as the production capacity of an organization is constrained, the six sigma and Lean tools should be used to eliminate and destroy waste, and to streamline flows through the use of customer-based programming.

If the constraint is externally identified by the economic entity, then the Six Sigma tools should be dedicated to certain areas that will result in the economic entity's offerings being more attractive and advantageous to prospects. This includes the length of time that customer feedback is received and reliable delivery time. There is no doubt that these three improvement initiatives are not mutually exclusive, but are therefore complementary.

Management using TOC is a systemic thinking system to determine where it is most important to focus efforts. TOC can be used to make the economic entities' efforts on the right solution and to assure the real problem at the right time, but also in the right place. Lean and Six Sigma Techniques and Tools can then be used in circumstances where they will result in many benefits.

Supply chain managers need not invest their resources on projects that drive the strongest links identified in the chain. Conversely, alastia should use constraining theory to better focus Lean, Six Sigma efforts on weak links. For economic entities that initiate their efforts with Six Sigma, Lean, and by using the theory of constraints, the results will accelerate because it will focus first on the most promising areas, with opportunities for improvement.

The Six Sigma approach involves identifying projects that result in the reduction of defects for a successful deployment of processes and a wide range of operational improvements. However, it does not have a systemic view to understand how these projects affect the overall performance of

the system and do not fully involve operators. This can lead to the company's financial impact, prioritizing projects and eliminating the positive impact on other processes. Alternatively, several authors have suggested that the five focusing phases of TOC can result in overcoming this gap. However, the author points out that the TOC debugging and analyzing process uses language that requires a different approach for management and operators and complex intellectual leadership by experts with appropriate professional skills. The customer and the company represent the focus of Six Sigma, lean and TOC. Although these philosophies have been used by various industries to improve processes, because while Six Sigma requires in-depth solutions, TOC sometimes presents bottlenecks and can overcome them. The common form of integration between Six Sigma and TOC is to identify the company's constraints and use. These approaches have the effect of reducing or resolving this problem. The main advantages of combining the three approaches are: First, the restrictions are analyzed, controlled and measured using a set of statistical tools to understand the problem and make the most appropriate decisions. Second, blocking is the first point to analyze, generating greater financial profit for the enterprise. Finally, the Six Sigma project is not chosen by a single business area, but rather relies on the general view that TOC will generate project outcomes across the whole system. There are some disadvantages. First of all, variations can not always be diminished, which will increase the capacity of the restrictions. Second, when any decrease in variation increases the production rate, downstream processes can lead to higher rejection rates. Finally, there is also a slight uncertainty when using the principles of TOC, Lean and Six Sigma. There is also a model that integrates TOC and Six Sigma that implies a limited budget environment to improve Six Sigma to ensure application quality and efficiency. This model has been used in an economical engine manufacturing entity, using its satisfactory results. There are similarities between the improvements achieved through the implementation of the approaches Lean, Six Sigma, TOC. The authors suggested the inclusion of the TOC thinking process to understand the cause / effect of interactions in the system, as well as the addition of other approaches aimed at continuous improvement. Studies have shown that there are differences between these three important approaches, but have concluded that these approaches are complementary.

5. Conclusions

Constraint management focuses on the efforts made by using Six Sigma and Lean, on resources, processes, principles and procedures that constrain the organization to its purpose. In this context, the continuous improvement process produces remarkable results very quickly and easily. The priorities are clearly identified, the projects are being carried out, and the quick results produce a certain training effect for all the actors in the organization. This step-by-step approach has analyzed very important factors about TOC, Six Sigma, lean when used to continuously improve processes in manufacturing systems. This paper also contributed to a better understanding of the essential principles of some such methodologies by making a comparative analysis of the aspects that are considered to be critical. Following this scientific approach, it has been found that examining the points of convergence and the exclusion of the three approaches results in a better understanding of its essential principles. Thus, it has generally been deduced that there are more points than overlap between these approaches. In the general context, the results of this study have shown that OCD, lean, as well as Six Sigma have some complementary features that overlap with the exclusion points and therefore there is a very wide open field to explore this topic.

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Measuring The Performance of An Enterprise's Management Team

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Abstract

The question we are answering is: How do we evaluate the performance of an enterprise's leadership. There are two perspectives of evaluation and the criteria are diverse: What is the potential of management? What are management's results? Sometimes the answers intersect sometimes not. In this paper, we are proposing some benchmarks for evaluating the achievements of business management.

Key words: performance, management, leadership, criteria, evaluation

J.E.L. classification: M12

1. Introduction

Following a European-level research, Gates and Kulik highlighted the fact that three-quarters of the businesses surveyed changed their performance measurement system over the past three years and expect to continue to change them in the future. A study by the American Institute of Public Certified Accountants has highlighted the factors that cause businesses to consider reviewing the performance measurement system: lower profitability, strategy changes, shareholder growth, redesign of business processes, new technologies, new competitors, attracting/retaining employees (CIMA, 2002).

There is no doubt that recent changes require new performance measurement systems, especially if we take into account the fact that the traditional accounting system is becoming more and more outdated managing to enhance less and less the reality (looks only to the past and fails to predict future performance, the accounting system does not take into account intangible values that can account for most of the enterprise's market value, profit-only focused as the only performance indicator determines a tendency towards short-term orientation, performance determinations are unknown).

In this paper we aim to propose a new system of indicators for the performance management of an enterprise in terms of results that try to capture a better image of performance

2. Theoretical background

In literature, classifications of evaluation methods for management/leader performance assessment are various (Nicolescu, 2004; Novac, 2002; Pitariu 1994; Dunnette, 1976; McCormick *et al*, 1979). From our point of view, management performance assessment can be done from two perspectives, the one of potential (Bailesteanu *et al*, 2008) and the one of the results.

Regarding the specific criteria, in practice and theory, there are many evaluation criteria. To illustrate, in terms of human resources management, the performance evaluation criteria targets not only the results obtained in a past period but also the future potential of human resources. As such, setting performance benchmarks implies identifying those psycho-socio-professional characteristics of people that are relevant to achieving future outcomes and which ensure that the necessary tasks, competencies and responsibilities can be exercised. Specialized literature abounds in listing general principles or statements that are perceived as performance criteria. For example, in the opinion of "New Millenium Journal", the third-millennium manager's portrait, the successful manager, is characterized by (Verboncu, 2005, p.79): being able, through one action, to achieve

more goals; plan a few steps ahead; being able to anticipate every step of competition; to carry out the "battles" that he/she knows will win and to avoid those without success; try to make the most profitable alliances; be patient, make the most of his/her time; act exactly when the situation demands it; to know exactly what is to be gained and lost and to retain only the essence of unsuccessful experiences; not to bluff in critical situations; seek and exploit weaknesses, mistakes and omissions of competition; use speed and surprise elements as an advantage; spare resources and to use them only when necessary; to form alliances with rivals of its competition; to permanently monitor the activity in its field of activity; ensure that each member of his/hers team know their role perfectly and that they all have the conditions to succeed; to be in a permanent offensive.

However, in evaluating performance, such criteria are difficult to use (Siewert, 1991), being far from being benchmarks or rigorous tools for objective, multicriteria and comprehensive performance assessment.

In the legislation, we find some indicators of results such as (GR, 1994): profit rate, debt recovery period, inventory rotation, labor productivity, etc. and performance standards such as (GR, 1998): the quantity or volume of works expressed in units of measure specific to operations or activities carried out in a role; the quality, respectively the completeness and the correctness of the solutions presented in the job specific job; the cost and the employee's interest in limiting the operating costs of the institution (the ratio between the business volume and cost involved is relevant in this case); time, representing the execution time of the activities, especially for those activities for which no standard time can be established; the use of resources, the ability of the employee to use efficiently the resources made available to him/her through the specific activities of the job; the way to achieve the objectives, the ability of the employee to integrate into the team to which he/she belongs, how to make available his/her knowledge and experience to the team. Standards reflect the desired level of performance and highlight the extent to which the objectives, tasks and responsibilities assigned to the specific role holder have been met.

Also, various models of enterprise performance assessment are proposed that indirectly reflect management performance. They have diverse, financial, intellectual capital, etc. orientation. To list a few: MVA (Stewart, 1999), Balanced Scorecard (Kaplan *et al*, 1992), Six Sigma (Gupta, 2004), Intangible Assets Monitor (Sveiby, 2001).

3. Criteria to evaluate the performance of management team

Based on the specialized literature and own experience regarding the performance of top leaders in their business sectors, to evaluate the performance of the management team, we propose several criteria:

- growth rates:
 - turnover;
 - profit;
 - earnings per share;
 - dividend per share growth rate;
- business structure:
 - structure by customer type;
 - structure by product type;
 - structure by geography;
- asset management rates:
 - total asset rotation rate;
 - fixed asset rotation rate;
 - receivables rotation rate;
 - stocks rotation rate;
- credit management rates:
 - dept rate;
 - interest rate coverage;
 - coverage of fixed costs;

- profitability and rentability rates:
 - profit margin rate;
 - return on equity ratio;
- market valuation rates:
 - PER:
 - market value vs. book value.

Interpretation of indicators can be done according to the previous trends, or industry average, max or min.

Table no. 1 Interpretation - compared with the industry average

No.	Criteria	ENTERPRISE	Industry	Performance		
		VALUE	value	low	avg	high
1	Growth rates	•••		• • •	•••	•••
2	Business structure	•••		• • •	•••	•••
3	Asset management rates					
4	Credit management rates	•••		• • •	•••	•••
5	Profitability and rentability					
	rates	•••	•••	•••	•••	•••
6	Market valuation rates					

Source: Own contribution

Table no. 2 Interpretation - Temporal comparison

	able no. 2 Interpretation - Tem	Performance\results				
No.	Criteria	low	avg	high		
1.	Growth rates					
1.1.	turnover	$r_{\uparrow_{CA}} < 90\%$	$100 < r_{\uparrow CA} \le 105\%$	$r_{\uparrow_{CA}} > 105\%$		
1.2.	profit	$r_{\uparrow p}$ < 100%	$100 < r_{\uparrow p} \le 105\%$	$r_{\uparrow p} > 105\%$		
1.3.	earnings per share	$r_{\uparrow_{p/a}} < 100\%$	$100 < r_{\uparrow p/a} \le 105\%$	$r_{\uparrow p/a} > 105\%$		
1.4.	dividend per share growth rate	$r_{\uparrow_{d/a}}$ < 100%	$100 < r_{\uparrow_{d/a}} \le 105\%$	$r_{\uparrow_{d/a}} > 105\%$		
2.	Business structure					
2.1.	structure by customer type					
2.2.	structure by product type	$I_{HH_1} < I_{HH_0} \ and \ I_{HH_1} \epsilon 0; 1000$	$I_{HH_1} \approx I_{HH_0} \ and \ I_{HH_1} \epsilon 1000; 1800$	$I_{HH_1} > I_{HH_0} \ and \ I_{HH_1} \epsilon 1800; 10000$		
2.3.	structure by geography	-	_	_		
3.	Asset management rates					
3.1.	total asset rotation rate	$r_{AT_1} < r_{AT_0}$	$r_{AT_1} = r_{AT_0}$	$r_{AT_1} > r_{AT_0}$		
3.2.	fixed asset rotation rate	$r_{AF_1} < r_{AT_0}$	$r_{AF_1} = r_{AT_0}$	$r_{AF_1} > r_{AT_0}$		
3.3.	receivables rotation rate	$dz_{Cl_1} > dz_{Cl_0} $ and $dz_{Cl_1} > 60 $ days	$dz_{Cl_1} = dz_{Cl_0} \text{ and}$ $dz_{Cl_1} < 60 \text{ days}$	$dz_{Cl_1} < dz_{Cl_0} \text{ and } $ $dz_{Cl_1} \le 45 \text{ days}$		
3.4.	stocks rotation rate	$dz_{St_1} < dz_{St_0} $ and $dz_{St_1} > dz_{St_{ind}}.$	$dz_{St_1} = dz_{St_0} \text{ and}$ $dz_{St_1} = dz_{St_{ind}}.$	$dz_{St_1} > dz_{St_0} $ and $dz_{St_1} < dz_{St_{ind.}}$		
4.	Credit management rates					
4.1.	dept rate	$r_{\hat{t}_1} > r_{\hat{t}_0} \text{ and } \\ r_{\hat{t}_1} > 66\%$	$r_{\hat{i}_1} = r_{\hat{i}_0} \text{ and}$ $45\% < r_{\hat{i}_1} < 66\%$	$r_{\hat{\imath}_1} > r_{\hat{\imath}_0} \ and \ r_{\hat{\imath}_1} < 45\%$		
4.2.	interest rate coverage	$r_{ad_1} < r_{ad_0} and$ $r_{ad_1} < 20$	$r_{ad_1} = r_{ad_0} $ and $r_{ad_1} < 20$	$r_{ad_1} > r_{ad_0} $ and $r_{ad_1} < 10$		
4.3.	coverage of fixed costs	$r_{r_{cf}/r_{ad}} < r_{r_{cf}/r_{ad}} i$	$r_{r_{cf}/r_{ad}} = r_{r_{cf}/r_{ad}} si$	$r_{r_{cf}/r_{ad}} > r_{r_{cf}/r_{ad}} \circ i$		
4.3.		$r_{r_{cf}/r_{ad}} < 20$	$r_{r_{cf}/r_{ad}} < 20$	$r_{r_{cf}/r_{ad}} < 10$		

5.	Profitability and rentability rates			
5.1.	profit margin rate	$r_{mp_1} < r_{mp_o} \text{ and}$ $r_{mp_1} \approx 1\%$	$r_{mp_1} = r_{mp_o} and$ $r_{mp_1} \approx 10\%$	$r_{mp_1} > r_{mp_o} \text{ and}$ $r_{mp_1} > 10\%$
5.2.	return on equity ratio	$r_{p_n/cp_1} \ < r_{p_n/cp_o} \ and \ r_{p_n/cp_1} < 10\%$	$r_{p_n/cp_1} pprox r_{p_n/cp_o}$ and $r_{p_n/cp_1} pprox 10\%$	r_{p_n/cp_1} $> r_{p_n/cp_o}$ and $r_{p_n/cp_1} > 10\%$
6.	Market valuation rates			
6.1.	PER	conjuncture	conjuncture	conjuncture
6.2.	market value vs. book value	$V_p / V_c \le 1$	$1 < V_p / V_c \le 1,5$	$V_p / V_c > 2$

Source: Own contribution

4. Conclusions

The proposed indicator system attempts to provide clear, measurable criteria for assessing the performance of an enterprise's management team in terms of results. It has the advantage of not being too large (lots of indicators) or too summative (an indicator) and attempting to provide a global picture of the performance of an enterprise's management team, more precisely in terms of the degree to which the objectives are met (growth, strategy, efficiency, risk etc.). The limits of the proposed model consist in the subjectivity of choosing these criteria, based only on the studied literature and interviews with the leaders of several enterprises.

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Reinventing "Newness": A Theoretical Approach of Innovation as an Incentive to Increase Firm Performance

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Abstract

The world in which we live is affected by continuous and accelerated change, and this has led in time to real industrial revolutions or even financial crisis. The new technological development is characterized by the emergence of new dominant industrial branches and a change of targeted management activities more and more towards a better, improved management of technological resources and innovation activity.

In the context of an increasingly obvious trend of innovative business development, companies are forced to find solutions that allow them to adjust to the changes that characterize the current economic and social environment.

This is also the issue addressed in the paper, which aims to present theoretical approaches to innovation and to highlight the importance of innovation activity for improving firm performance.

Key words: firm performance, competitive advantage, innovation

J.E.L. classification: L25, O31

1. Introduction

In the last decades there is a great emphasis on innovation as a drive for competitiveness of products and processes, as a distinct feature of emulous firms and as a principle not to be missed when trying to adapt to the knowledge based economy defined in the Lisbon strategy. There is also a well-known fact that innovation has much to do with the firms' capacity to face the on-going rapid changes in the external environment. With this in mind we could easily assert that innovation is not only related to high technology, to the most competitive sectors of economy or to the most developed nations worldwide. On the contrary, innovation is nowadays globally present, from (re)defining an organization's vision or introducing a new product to the market, from the academia research projects to public agenda or transfer of new technology. It wouldn't be wrong to approach innovation as an ubiquitous concept in any organization that strives for competitive advantage in an ever-changing economy.

It is no longer an option, but a necessity to consider all potential factors that lead to a company's performance in the digital era, in times when technology plays such a vital role in leading successful businesses and human resources are constrained to gain new competences relevant for the global market. A firm's survival is no longer confined strictly to releasing new products since competitors may have already introduced them in use and financial resources might be lacking for such costly investments. Organization performance is lately considering causal factors like creativity, speed of action, readiness to change, ability to adjust to market demands, agility and more.

There is no debate that analyzing the current global economy on the whole, one is easily drawn to the conclusion that new products and services are the ones that generate the most revenue and this particular fact is the one that stimulates companies to invest in research and innovation, thus proving the inherent link between the need to innovate and competitiveness. Improving the business model and process innovation is a possible answer to maintaining the competitive

advantage, a more equilibrate formula than investing time, energy, financial resources and human capital to come up with new products or services. Improving the business model could mean even changing it to better respond to the clients' needs, to enter new market sectors, thus getting ahead of competitors. From this point of view, innovation is viewed as motor drive of competitiveness, of economic growth and added value for consumers. We should focus our attention on the ability of companies to innovate as a way to finalize this process, of ensuring firm performance no matter the size of the company or availability of resources more than initiating it. And this is because the very existence of resources to implement innovation might already be at hand since innovation is about efficient use of resources too and this needs business education, awareness and constant debate with multiple stakeholders.

2. Literature review

Defining terminology was never an easy task and innovation is not an exception. One of the most concise ways to define the term innovation is: "(1) the introduction of something new, or (2) a new idea, method, or device" (Merriam-Webster, 2017). These two definitions might seem similar, but present differences in the way one would perceive innovation: on the one hand the first definition views innovation as a result, while the second definition reveals innovation as being a mechanism, a process, a continuous action. In our opinion, such a distinction in approaching innovation would lead organizations and companies' leaders to failure or inefficiency in implementing the principle of innovation. Being focused on innovation as a result, firms would decrease the chances of market success or company performance since they overlook the aspect of result duplication or reducing the available resources for maximizing profit. Equally, viewing innovation as a process might lead organizations to focus too much on procedures, on administrative actions that give birth to an overwhelming bureaucracy that is not result-oriented and channel too much of companies' efforts in vain.

The pioneer in defining innovation is undoubtedly Schumpeter (Śledzik, 2013) who divided the term into a series of five types:

- Launching of a new product or a new type of product which is already known;
- Application of new methods for production or sales of a certain product (which was not proven in a certain industry yet);
- Opening of a new market;
- Acquiring of new sources for raw material or semi-finished goods supply;
- A new industry structure (e.g. the creation or destruction of a monopoly position).

The distinction being made even before the middle of the last century is innovative in itself due to the fact that in our opinion this classification reveals the fact that Schumpeter acknowledged the essence of innovation as being something new, but taking into account different types of newness and more than one artifact in business environment, that is not only the final product, but production, methodology, sales component and resources too.

Still focusing on innovation as generating something new, Damanpour defines the adoption of innovations as being able to "encompass the generation, development, and implementation of new ideas or behaviors" (Damanpour, 1991, p. 556).

Nohria and Gulati shift the point of view specifically to the human factor since newness is a concept consciously to be perceived only by a person. Thus innovations "include any policy, structure, method or process, product or market opportunity that the manager of the innovating unit perceived to be new" (Nohria and Gulati, 1996, p. 1251).

At European level, within the framework of defining strategies and policies common to several different member states, each with its own specific economy, in various types of industries, innovation was largely described and explained, finally being illustrated as a synonym for the successful production, assimilation and exploitation of novelty in the economic and social environment (The European Commission Green, 1995).

An association of factors is taken into account when Boer and During define innovation as the "creation of a new product-market-technology-organization-combination" (Boer and During, 2001, p. 84). This conceptualization is taking into account several aspects that worth mentioning: that

innovation is a process-type newness, based on business artifacts and assesses both small-sized innovation (incremental innovation) and radical innovation as well, by associating on a somehow equal level the multiple facets of a business development.

In what the concept of performance and firm performance concerns, the way it appears defined in the dictionaries of main European languages, it determines the idea of outcome or result, goal, quality of actions taken, and less the well-known economic aspects of efficiency or effectiveness.

The Merriam-Webster Dictionary defines performance as " (1) a: the execution of an action; b: something accomplished; (2): the fulfillment of a claim, promise, or request". These definitions show that the term performance is not synonym with any deed or action which is accomplished, but moreover is linked to a beforehand defined goal or promise which is finally achieved and fulfilled. This double dependency on time factor, before and after, means that there is about strategizing and staging or implementing when it comes to performance, it's about objectives and results and in line with this complex new economy, it's not about fate or luck, but it's all about the process and clear-cut steps taken to achieve firm performance.

This type of time-dependency is consisting with the definition of performance in Lebas since he views it as future oriented, reaching the objectives and targets as a result of implementation of actions (Lebas, 1995). This implies a causal relationship between past business strategy for development and future reaching of success due to certain established steps that lead to performance. In this way performance is dependent in equal shares both of the past and the future: the ability of a firm to achieve performance as defined in the past. In other words, he views the private organization goals for the future and extrapolates the meaning of performance as organizational potential to achieve it. It's a subjective point of view on performance, idealistic and possible, but not necessarily materialized into measureable indicators.

The Sink and Tuttle model for performance is a traditional one conveyed in specialized literature (Salloum and Wiktorsson, 2009) since it takes into consideration no less than seven criteria intertwined in a complex relationship:

- Effectiveness, defined in terms of "right": doing the right thing at the right time with the right amount of quality, a ratio between actual output and expected output;
- Efficiency, involving doing things the "right" way; also viewed as a ratio between estimated consumption of resources and actual use of them;
- Quality, a broader and more complex concept measured with the help of six checkpoints: quality management process, inputs, outputs, downstream and upstream systems, transformation value adding process;
- Productivity, traditionally understood as the ratio between inputs and outputs;
- Quality of work life, bringing vital contribution to a highly performing organization;
- Innovation, the key element that sustains and improves performance;
- Profitability, as a final objective of any given company.

At a glance, there is no question that the first three criteria are an ensemble that leads to company productivity, whereas quality of work life and innovation are the ones that smoothly balance, when implemented, in favor of increasing performance of a system. Considering time as a factor, resilience and dedication to apply certain criteria in business development would make the difference between short-term profitability and long-term economic growth, sustainability and excellence in the field. When going deeper in analyzing this model, a conclusion is drawn: it overlooks the client perspective, the consumer as final beneficiary of performance, the outsider point of view which puts into question the client needs and needs satisfaction. Although the business field is always a changing climate, this particular model remains a satisfactory one by placing flexibility in the same conceptual equation with performance and innovation.

As a result of complex factors that may influence performance, Annick Bourguignon defines the concept of performance illustrated into three important meanings of the term:

- Performance means success. There is no performance in itself, but only in relation with the businesses' or business actors' success.
- Performance is the result of an action. Measurement of performance is viewed as an evaluation of achieved outcomes, as a result of a process or an activity.

• Performance is action. In this line of judgment, performance is in itself a process, rather than a result that is achieved after a period of time (Bourguignon, 1997).

We view this latter assessment of performance as being rather tangential with opinions on innovation as a process and in this regards, we assert the consistency of definitions of both terms with attention placed on change, flexibility, the willingness to adjust to environment variation and the ability to embrace and rethink the concept of newness.

3. Innovation as prerequisite to attaining firm performance by reinventing the "new"

There is a generally formulated agenda that innovation brings along benefits that empowers an organization, stimulates performance and give a competitive advantage no matter if we refer to the firm as being a SME or multinational enterprise. For this reason it is worth mentioning that Damanpour recognized that "the adoption of innovation is generally intended to contribute to the performance or effectiveness of the adopting organization" (Damanpour, 1991, p. 556). At the same time, European Commission determined the crucial reasons of why should organization innovate, since "innovation is an essential precondition for growth, maintaining employment and competitiveness" (The European Commission Green, 1995, p. 8).

Reviewing innovation, this has been described and classified in numerous varieties, but for the relevance of the current topic in discussion, we consider innovation as a means to achieving firm performance understanding it in three ways: innovation as an outcome, as a process and as mindset.

Outputs are the focus when discussing innovation as an outcome. The most usual approach in this regard is associating innovation with the introduction of new products and new services, also commonly known as product innovation. Still, a more accurate understanding of innovation as outcome include, without restricting the list, the following: product innovation; process innovation; marketing innovation; business model innovation; supply chain innovation; organizational innovation. We will not ponder on describing each of the types but we will make an assertion that this type of innovation is the closest related to something new, out of the ordinary, unusual and never been achieved or implemented before given similar business aspects. Conceptualizing even more, we could bring into discussion the metaphor of innovation as being the "what" that leads to firm performance.

Innovation as a process should not be missed as a potential strategy for achieving performance because it views innovation as transformation, movement between what is estimated and what is achieved, a series of actions towards an end. There is an obvious shift in perspective when comparing this approach of innovation with the first one because it attends to the "how" a company is organized so that outcomes occur in accordance to what was meant to achieve. A model for innovation as a process is portrayed in three phases: discover, develop, and deliver. In the first one, the company searches and isolates opportunities on widely, general manner. Those which bear potential are fructified into the develop phase. Thus, technical specifications are conveyed and outcomes are drafted. The final phase is the ones that the offer appears in the form of a result of a process, put into use, such as being sold to the customers. This process-type approach is relevant to the fact that innovation is much more than a new idea or creating something new (in which case innovation might easily be confused with invention). The execution, the path from idea or opportunity to result - this is the essence in understanding innovation as process. The lack of deliver phase would mean that innovation did not take place since mere invention is self-sufficient, whereas innovation is putting into a relevant and purposeful use the creative ideas or the new products or services.

Innovation as a mindset brings something new to the debate because it implies notions as individual and internal features of human resources in a firm that promote the "culture" of innovation. This is achieved by means of an internal motivation and tendency to permanently create and recreate the new throughout an organization, at any level of its development. Innovation seems to come as natural, as newness in constant use or even as a purpose. Paradoxically, innovation is, with regards to this reasoning, both a cause as well as an effect, equally a reason and a purpose.

The reasoning of such internal characteristics of individual is not the object of our endeavors at the moment, but we will at least enumerate the five skills that Dyer, Gregerson, and Christensen stated to be the right combination to push new ways of thinking, stimulate and embrace innovation (Gregersen, Dyer and M. Christensen, 2011). These five features are the ones that distinguish organizations known for innovation on a global view:

- Associative thinking is the feature that help an individual make connections between different ideas, questions or problems even from fields which apparently are not related to each other;
- Questioning stimulates creativity in thinking by searching answers beyond the common wisdom;
- Observing means that individuals search for opportunities to innovate by evaluation the current status quo inside or outside the business organization: from internal processes to consumers' behavior or competition in order to manage risks or improve firm performance. In our opinion, this feature is the trigger that differentiates what was and is no longer new and create something new;
- Experimenting is all about construct and interaction with newness to test possible use and provoke benefits for the company;
- Networking seems like a personal feature that relates to going outside the confined box of singular perspective on business. Meeting people, changing ideas, sharing experiences, debating on "how" things should work better is according to us the core essence of the new economy in an era when communication goes beyond message transmittal.

We might state that innovation viewed as mindset, applied in equal share at individual and organizational culture also, changes the perspective. Innovation is no longer a linear procedure, a road from two distinctive points, it is circular, is interactive, is considering all aspects of business environment, of society and economy in ensemble, is a living organism to which newness needs permanent nurturing.

Still, not everything new is at the same time beneficial to a company the same way innovation is not always an indicator of firm performance. And the one that exemplified with such relevance this paradox is Ilya Prigogine who concluded that "novelty cannot be good from every point of view. Is Mozart's music progress in respect to Bach? That's very difficult to say. You see, in some sense Mozart has made Bach's music obsolete. However, in another sense, one can say that Bach's work still remains a model of religious music, while Mozart has introduced a model of opera, more secular music. By definition, novelty contains aspects of things that didn't exist before. But one should not necessarily identify novelty with optimization. Novelty can be either good or bad. For me it has been very important to show that time plays an essential role in the world around us" (Prigogine, 2004). This statement makes reference to a component that is outside the lens of economy and appeals to that "arrow of time" that will eventually determine whether novelty, or newness as we named it in the present paper, is the best approach to increase firm performance. We consolidate this opinion by declaring innovation as a possible factor that might bring organization's success and performance, a strategy of reinventing what is new in a constant changing and challenging climate by lateral thinking, experimenting and objectively analyzing outcomes as time goes by. If innovation does not bring firm performance, one of the causes might be that it was not the optimal strategy and at that moment it is time to try something (else) new.

4. Conclusions

The existing literature on innovation and firm performance, along with their inter-connection is widely spread and illustrative of a variety of opinions and points of view. A large majority of studies have been asserting the beneficial effect of implementing innovation and innovativeness spirit as a stimulus to increase performance of the organization, but we concluded that further discussions are needed to assert the impact of innovation taking into consideration aspects such as business ethics, rate of employment or changes in human resources competences or need for innovation in the public sector.

Innovation is nowadays a priority within the context of global economy which appears not to be fully recovered after the last decade's financial crisis. More than ever, actors in business development should at least experiment, if not implement, innovation, at least as a measure to face newness in the future or prevent static, traditional and out-of-use business models which rarely lead to performance. The speed of technological development was traceable up to a certain point; it is now getting ahead and if we cannot pace with it, businesses will barely survive, let alone perform. In addition, we should not overlook the preference of consumers for something new, and the ability of a company to put into practice a new idea might be a source of competitive advantage and the reason for which a client may choose one particular firm over another. Thus, the companies that create for themselves competitive advantage are able to increase their activity efficiency and improve firm performance by experience, by new knowledge that, in time, may be the very sources of distinctive competences on the global market.

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Organizational Culture Impact on Strategic Management

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Abstract

This paper focuses on the impact that organizational culture has on strategic management in terms of performance of the organization. We analyzed the relationship between the two concepts and how one influences the other.

Corporate culture consists in competitive advantage for a business, leading it for success, motivating employees and make their work most effective, at its best, or it can lead to failure, at its worst. Organizational culture can influence actions, decisions and opinions. Every business has a specific way of working that commits to its culture. Strategic management refers to a process of developing goals, a mission and a vision, values and duties that will lead to the organization's success. Main assets of an organization that lead it to proper functioning are its employees and the organizational culture is the one that gives it the uniqueness and creates its brand image. The absolute compatibility between the strategic and cultural path is in the organizational alignment.

Key words: organizational culture, strategy, strategic management

J.E.L. classification: G380, M140, M480,

1. Introduction

The attempt of defining the organizational culture, leads us to human resource, and as business environment is increasingly internationalized, the organizational resource, in terms of human capital derives from different societal environments, owns ideas, beliefs and emotions taken individually and also shared with others, enriched or replaced with the help of habits and rules within the organization. Corporate culture stays at the origin and application of each strategy. Strategic management refers to entire set of decisions and actions made to create and implement plans and strategies in order to realize the organization's objectives.

The result of a strong corporate culture resides from a cumulous of contributions from different actors of the organization: the regulation (governance framework, state regulations that would lead risk appetite and risk tolerance, risk management and internal control function), the internal and external audit (assessing and providing assurance over risk and independent opinion about existent and desired culture), the board (in charge with ethical framework, dictates the tone from the top), senior management (implements and oversees the culture), human resources (shape and enhance the changes in culture and align it through trainings, recruitment, compensation and benefits, performance management) and risk management (supervise and mitigate risks and monitor risk appetite). Strategic management reflects the study, review, evaluation and choosing actions for formulating, implementing and evaluating strategies, to accomplish organization's mission and objectives.

2. Theoretical background: Organizational culture

The values, habits, beliefs, traditions and historic elements shape the corporate culture of an organization. Corporate governance of an organization influences the relations between the members of the organization, the board of directors, shareholders and stakeholders, but also elements of the corporate culture do. Stakeholders' commitment becomes the main factor in the organization's activity in terms of total involvement to understand their vision and interests and to accomplish sustainable development objectives and future development challenges.

Corporate culture sums up the invisible platform that runs the organization, meaning the values, principles, behaviors, emotional commitment. At the same time, organizational culture grants unity and continuity.

In an international organization one can find a variety of incompatibilities between the organizational culture promoted by the business and the national cultural specificity.

Schein (1996) claims that in a context where organizational culture is the strongest force of a company, the leaders of the organizations play a major role in encouraging inter-organizational cultures. Schein likewise proves that culture draws the behavior of a certain group, just as nature draws the people behavior. (Schein, 1985)

We can affirm that organizational culture is the personality of the organization, its features being reflected in the behavior of its members, unconsciously.

Culture plays a significant role in risk management and risk appetite and can contribute in a positive way to organization's competitive. Managers use organizational culture as a tool to lead and control the strategic management behaviors; it's wise to use corporate culture to influence and train the mindset and attitude of employees, gain their support on the organization's regulations and procedures and slow down resistance to change.

A strong organizational culture, strategy oriented, influences in a positive manner the working behavior, energy, enthusiasm of the employees and therefore, their working capability and competence, attracts people to join the organization and reduces the staff costs with hiring and training, because, obviously, culture is about doing than saying. Corporate culture is formed of emotional resources, than means that when employees are happy and feel supported, they begin to treat customers and partners better.

Main factors that can influence the organization's risk culture are:

- ✓ appropriate governance,
- ✓ leadership,
- ✓ practice what is preached so applying principles,
- ✓ productive communication,
- ✓ recruitment (avoiding toxic employees) and
- ✓ incentives (a focus on profit might encourage unethical behavior).

A powerful culture comes from finding motivation above the bounds of profit. The purpose that gathers employees and shareholders together must be higher than cash.

3. The relationship between culture and strategy

There is a strong link between corporate culture and strategic management. A company is managed and strategic decisions are made using the same values, beliefs and principles set through the organizational culture.

Strategy sets the direction and focus, elaborates plans and formal environment for employees to understand the organization's goals, while culture helps accomplishing goals by encompassing them in the organization's shared values and beliefs. The vision of the organization needs to be first assimilated in the culture. A strategy can only be implemented it is backed by the corporate culture.

The company sets the headline of its story through the strategy and the language through culture. Intention is given by strategy and culture sets and measure the aspiration, the commitment, the performance.

Corporate culture will impact the way a leader expresses his vision to other members of the organization as well as gaining support for implementing new strategies. Strategy gives the direction and culture sets the way you make your trip until destination positive, negative,

challenging, funny, painful.

According to Torben Rick corporate activity is shaped through culture and strategy and works at its best when values, policies, strategies and practices are harmonized.

Just like in a symphony orchestra, where different family of instruments are mixed, standing alone or grouped on different sections, employ various players and all under the command of a conductor who unifies them and sets the sound of an ensemble, corporate culture needs to unify its instruments to work out:

- ✓ behaviors
- ✓ relationships
- ✓ attitudes
- ✓ values
- ✓ environment (Rick, 2013)

When an alignment is formed between organizational culture and strategic management, the organization wins a competitive advantage in global market. The strategic plan needs to be constant with culture and the board has the mission to set the risk appetite and risk tolerance for the organization. Management is responsible for adopting and monitoring culture after it is agreed by the board, aligning it to the business strategy. Also is management responsibility to ensure trainings for staff on ethics, culture, risk management due diligence so they would understand and apply them.

Strategy

Goals

Objectives

Practices

Practices

Behaviors

Results

Figure no. 1. The alignment between strategy and culture

Source: (Rick, 2013) https://www.torbenrick.eu

The strategic way dictates what it should be done and culture highlights the normal way to be done. Best results in company's performance consists in the alignment of both.

An poor corporate culture can lead to disengagement of employees, decreasing business performance and customers' satisfaction. Corporate culture lies at the base of financial crisis and many business failures, such as: Enron, BP Oil Spill, Toshiba, Volkswagen, Wells Fargo and Olympus.

4. Conclusions

In order to achieve consistency in the organizational behavior it is important to create a governance environment with rules and regulations that encompass an ethical foundation to be considered when taking decisions affecting the organization, that will provide guidance no matter the nature of the decision. According to IIA (2017), the framework would be:

- ✓ easy to apply and consistent
- ✓ accurate

- ✓ constant in time
- ✓ comprehensible.

Main assets of an organization that lead it to proper functioning are its employees and the organizational culture is the one that gives it the uniqueness and creates its brand image. The absolute compatibility between the strategic and cultural path is in the organizational alignment.

One fundamental aspect regarding the organizational culture is the assurance that it is well known and applied and strategic management is respecting it. The way of verifying it is using internal and external audit. There are several indicators of culture failings, such as:

- ✓ pursue of immediate gains,
- ✓ examine and still violating the spirit of laws and regulations,
- ✓ consider risk management control disturbing and neglecting it when it is advantageous to do it.
- ✓ defective explanation for managerial responsibility for risks and avoiding to reward good risk management and applying penalties for mismanagement of risks,
- ✓ disguising problems instead of discovering the roots of the problems, etc.

Internal audit can bring assurance over the organizational culture in terms of desired culture – checking if it is well formulated and broadcasted and implemented in the entire organization and how management measures and monitors the culture. Finally, internal audit can assess the existing state and desired organizational culture. External auditors need to understand the control environment, this could be translated in realizing if management developed and cultivated a culture encouraging honesty and ethics.

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The Importance of Cultural Components in the Analysis of an Organization

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Abstract

Organizational culture is a representative topic in the literature nowadays but also in the private environment, as managers are evaluating their companies not only with financial indicators, but also with non-financial ones. As a consequence, culture analysis tools can be used successfully in any company diagnosis process. In this respect, the paper aims to provide an analysis model by coupling a qualitative and quantitative method. The study was conducted on the model of a well-known private company, which relies on the importance of the type of culture in defining success.

Key words: artifacts, culture, assumptions, beliefs.

J.E.L. classification: M00

1. Introduction

Business managers have the tendency of simplifying and ignoring the sense of the organizational culture, but Edgar Schein draws the attention to this tradition, mentioning that each and every organization has to undergo a three level analysis: the main hypotheses, the espoused values and the artifacts. Once the three levels become clear, any organization will be easier to decrypt, both by the ones working for the company, as well as by those who are not. This paper aims at drawing a parallel between these three levels, illustrating the organizational culture within a private company.

2. Literature review

The concept of organizational culture defines an abstract reality, which is evidenced by the multitude of definitions found in the specialty literature. Schein defines organizational culture as a deeper level of fundamental assumptions and beliefs shared by members of an organization. Deal & Kennedy simply stated, that organizational culture is "the way things are done around here" while Cameron and Quinn assert that organizational culture refers to the values taken as such, the fundamental assumptions and expectations in an organization. Culture also includes the organization's vision, values, norms, systems, symbols, language, assumptions, beliefs, and habits (Needle, 2004).

3. Reseach Method

The study was based on the use of quantitative and qualitative research methods as follows: in the first phase, we tried to identify the type of culture applying Schein's model and in the second stage we validated this model by applying a questionnaire designed to identify the type of culture found at Toyota company. Schein distinguishes between 3 levels of culture namely:artifacts, espoused values (which were identified by the observation method) and assumptions and beliefs level (identified with the help of questionnaires). In this respect, we have used the OCAI (Organizational Culture Assessment Instrument) questionnaire, made by Kim Cameron and Robert

E. Quinn, an instrument that identifies 4 types of culture: clan oriented culture, hierarchy oriented culture, adhocracy oriented culture and the market culture. Each type of culture has a series of characteristics, among which:

The clan oriented culture: it stands for family like organizations, the freedom of speech in what the employees are concerned.

The hierarchy oriented culture: it is based on control, the procedures are standard, it implies numerous hierarchy levels.

The adhocracy oriented culture: it is an organization of the future, always striving for change, it does not imply power based relationships, the organizational chart is continuously changing.

The market culture: oriented towards the outer environment, customer oriented. Specific to this type of culture are the market machineries.

40 respondents (actual customers, ex-customers) participated in the survey in order to assess organizational culture. The aim of the study is to also identify the relation between Schein's model and the instrument proposed by Cameron and Quinn and see whether the two instruments correlate.

4. Organizational Culture at the level of a private company

Therefore, the first level that Schein has identified refers to artifacts, because they point to the visible and identity related components, which define an organization. Artifacts may refer to certain cultural elements that have an immediate impact on the senses, such as the way the building looks like, the dressing code or certain symbols with the help of which the organization is recognized (they validate the visual part), whereas the language validates the auditive part. Thus, by having the above mentioned company undergo an analysis according to these criteria, we may say that Toyota promotes an environment based on communication, a client-oriented one, as the reception area is open, and the employees' desks are in the same area as the reception area. Moreover, if we refer to the building's setup, there can be seen that it is a modern one, by setting the same pattern also in what the culture is concerned, which is flexible and prone to change. The employees wear casual outfits, the language is adapted to each type of client, the feeling that defines the company is a relaxed one and it is a proper environment for the wage earners and the clients to plainly express what they think. In this way, there will be interpersonal relationships, that go beyond the work environment, leading to true friendship bondings.

Figure no. 1 The three levels of culture according to Schein

Three Levels of Culture (schein) Visible organizational structures and business processes Strategies, goals, vision Assumptions and beliefs Unconscious beliefs, perceptions, thoughts and feelings - utimate source of values and action

Source: Schein E.H., 2009, 21

The next level refers to the **espoused values**, and they can be found at the border between the visible and the invisible elements. A company's values are usually stated by the leader or by the founder and they get spread in time, thus defining the company's strategic direction. These values can be diffused as presentations, commercials, slogans and leaflets. In time, Toyota has had various slogans which were meant to state the company's strategy. *Moving forward* is one of the slogans that best represents Toyota even since 2004, by expressing the company's wish to improve, to adapt to the market's requirements in order to best fit the employees' needs. At the same time, it stands for the company's commitment to come up with products that best fit these requirements, ensuring their customers that they will be a part of this new strategy. Ghosn, Nissan's CEO always tries to encourage members to make decision in terms of customer satisfaction and profit (Ghosn, 2001b).

Let's go places is a new slogan which launches an invitation to the clients. Again, the direct approach, the message that is meant for the clients points out a market oriented culture and thus also a client oriented culture. The customer orientation is the company's main preocupation. *Today* Tomorrow Toyota is another espoused proof that stands for the idea of continuity, because the future is regarded as an important source in what the development of new products is concerned. The products are adapted, transformed and modern. The slogan counts here with a consecutive logic, because Toyota is the future by bonding with the idea of innovation, change, experience. Hence, apart from the slogan that promotes Toyota's whole image, each model has a different promotion and different slogans, the presentations and the commercials are specific to each type of buyer: Prius. Mean but green.- a slogan that was meant for the customers who care for the surrounding environment, The 7 seat Verso. Have kids. Keep your style - a message meant for all the buyers with many family members, Get the Feeling. Toyota.- a message meant especially for young people, who want to try new things. In this way, the company comes up with a large variety of products, but what matters most refers to making messages specific to each type of customer. Nissan's CEO Carlos Ghosn commented: "The firm can continue to exist by getting rid of barriers between departments and acting from customer's point of view (Ghosn, 2001a)."

It should be said that many of these espoused values do not necessarily match the company's reality. In order to precisely identify the type of culture that an organization may have, we must have a closer look at its last level, i.e. the **beliefs that are mutually shared**. This level is dense, hard to identify and to decrypt because of the abundance of invisible elements. Therefore, each organization should be analyzed starting from the 3 instances in order to achieve a realistic profile. A way of identifying this last level refers to applying questionnaires in order to determine if the third level of analysis confirms the data that have been registered in the first two cases. Some of Toyota's customers have filled in questionnaires in order for us to establish if the company's perception or attitude matches the one that the customers have pointed to. After getting the subjects to fill in the questionnaires, we have obtained the following results:

Dominant Culture

Can Culture

Adhecracy
Culture

Market Culture

Figure no.2 Dominant Culture

Source: own contribution

By analyzing the graphics that we have obtained, there can be seen that the market culture has registered the highest score, 40 points, followed by the clan oriented culture (30 points). Also in what the shared beliefs are concerned, the dominant type of culture is the market culture. We can say hence that the organization that underwent the analysis is completely congruent within the organization, and it is the same type of culture that can be found in the case of each of the three levels analyzed that have been proposed by Schein. The organization fits the description of the market culture, the significance of the outer environment and thus the significance of the customer are decisive. Atuahene-Gima (1996) has claimed that market orientation provides various components of a firm with common assumptions and beliefs about customer needs.

5. Conclusions

According to the characteristics of this type of culture, we may say that Toyota is a company that aims at obtaining results and the employees are motivated by the selection of the objectives. The leaders have high expectations, whereas the organizational bond is based on the wish to obtain profit. The organization has long term strategies, the reputation and the fact of being successful are the most important aspects. Success is obtained when the objectives are achieved, they are usually established as a market quota. The competitive prices and the market leadership are important. The strategy regarding the quality improvement aims at identifying the customers' preferences and at creating external partnerships by involving both the customers and the providers. Customer orientation is defined as "the set of beliefs that puts the customer's interest first" (Desphande et al., 1993, p.27)

As a final conclusion, we can say that Toyota is characterized by a certain coherency within the organization in what the culture is concerned, therefore what the company wishes to show visually speaking is harmoniously combined with the values that the company regards as espoused, but also with the beliefs that the customers mutually assume. In this respect, in the company there is a market culture, which has been validated throughout all of the 3 analysis phases.

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The Influence of TV Advertising on Consumer Behavior in the Resita City Population

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Abstract

The main purpose of this paper is the need to know the influence of television advertising, one of the most important components of promotional activity, on the attitude of the consumer.

The paper presents the impact that TV advertising has on the attitude of the consumer. The success of advertising itself is achieved only when the reception, perception, processing and acceptance of advertising information results in a change of attitude, ultimately the purchase of the product.

Key words: marketing, TV advertising, consumer, attitude.

J.E.L. classification: M3

1. Introduction

Television is the advertising support that has seen the fastest expansion in modern society. This is possible by providing a unique combination of sound, image and motion, giving the impression of direct contact with the product. this form of advertising has the advantages of moderate flexibility and gives the possibility of repeated broadcasting at the maximum audience hours. There are also downsides, such as the generally low selectivity of message recipients and the relatively high costs of producing and distributing advertising programs.

Advertising cannot be tailored to the specificity and personality of each potential consumer (user) and also the market of a product (service, firm) is formed by both typical consumers and a number of atypical consumers. From this point of view, advertising must be conceived in such a way as to act on typical consumer categories, neglecting the category of atypical consumers.

The process of advertising creation is based on the idea that advertising is used not to generate pleasure or to make a work, but to communicate an element that can determine the purchase of a product or service.

2. Theoretical considerations

Marketing activity through the Internet becomes a routine process, contrary to implement the traditional methods of marketing (Dinu and Dinu, 2014).

Advertising is a powerful promotional tool. It is the use by a seller of paid means to communicate convincing information about the products and services that they offer or the organization they belong to and is also a powerful promotional tool.

Practice shows that, as a rule, advertising communication is one of the means of transforming, in the long run, consumer demand into actual purchasing behavior. But it has to be combined with the action of other marketing and promotional means, because alone, its action can never be enough to promote the commercial interests of the company, in order to increase the efficiency of its activity.

Research by Peter Webb and Michael Ray shows that saturation with advertising, primarily television, reduces the effects of each message, but media saturation with media does not affect all messages to the same extent (Web and Ray, 1979). Webb shows that messages placed at the beginning and end of an ad are less affected by saturation than those at the middle of the block. Messages showing products or services that involve high consumer engagement are also less affected by ad saturation (Dobre, 2006). The consumer inclines towards the product whose image best fits his unconscious needs and desires, although the latter rationalizes choice and justifies it (Manole, 2007).

Advertising does not have any ideological function, because it disregards political or philosophical choices, even if it can also be put to the service of such causes. Finally, advertising is optimistic in the sense that it presents the world's most beautiful colors, so it can be attributed to a true cosmetic function.

However, advertising can not be considered as an absolute weapon of success, that is, it can not completely undo the shortcomings of a wrong product, price and distribution policy; which may contribute at most to the correction of conception or sale errors, but only to a certain extent and in favorable conjunctural situations.

By its specificity, TV advertising is a mass communication with a partisan character being used as an offensive instrument of action in a more competitive environment. she was born out of competition and at the same time makes her exist.

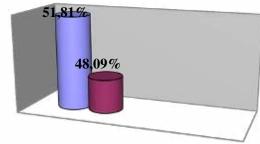
3. Method and results

A sociological research was conducted at the Resita population level, an investigation based on a survey. Knowing the fact that the goal of research is studying how TV advertising affects consumer behavior was considered appropriate as a form of research survey on a representative sample population of Resita. The questionnaire contains 9 questions of content and 3 of identifications the interviewed person.

Because the consumer's behavior is manifested on the market, it becomes a major study of marketing. I have studied the way in which the advertising influences consumer's behavior. The shape of how the study was done was build by the survey conducted on a representative sample for the population of Resita (Dinu and Dinu, 2012).

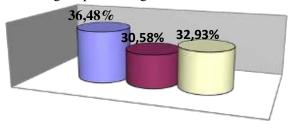
Further, I realized interpretation of research results:

1. In terms of extracting information about TV products.



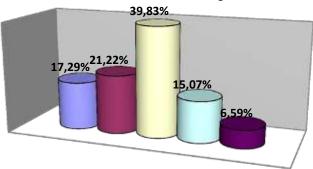
On the whole sample, most subjects, 51.91%, out of which 28.96% men and 22.96% women, are not influenced by friends in the formation of preferences. Subjects influenced by friends in preference formation are 48.09%, of which 19.13% are men and 28.96% are women.

2. The influence of advertising on purchasing decisions.



On entire sample, to question. 2, most subjects (36.48%, of which 16.37% men and 20.11% women) say they are influenced by advertising in a purchase decision. In a large number, a percentage of 32.93% are undecided, do not know if advertising influences the decision to purchase (17.49% men are more undecided than 15.44% women). The percentage of 30.58% respondents stated that their purchasing decision is not influenced by advertising.

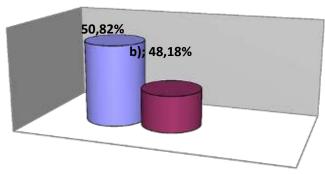
3. Are you satisfied with the information obtained through TV commercials?



To question 3,on total sample, 39.83% of respondents are undecided on whether are satisfied with the information obtained through TV spots. Among them, the most undecided (25.56%) are men and 14.27% women.

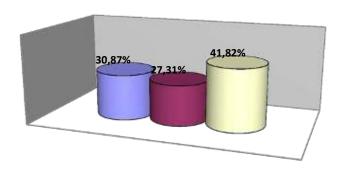
The next place is the second variant response, with the rate of 21.22% (10.11% men and 11.11% women) of those surveyed were satisfied with the information obtained through advertising. 17.29% of respondents are very satisfied with the completeness of the information obtained through advertising (males 6.66%, females 10.63%) 15.07% (9.87% for men and 5.20% women) are dissatisfied. A small percentage of only 6.59% are very dissatisfied with the information obtained through commercials TV (4.31% and 2.28% men women).

4. Purchase an online product because you liked the ad or attracted your product.



On entire sample, to question. 4 percentage of 55.30% (30.31% men and 24.99% women) of respondents are undecided in relation to their attitude towards products promoted by TV advertising compared to radio and written press. 29.87% (11.38% men and 18.49% women) have a positive attitude towards the products promoted through television advertising, while only 14.83% of respondents have a negative attitude to the same advertising (8 20% of men and 6.63% women).

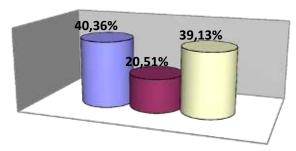
5. The influence of a compelling TV advertising in a purchase decision.



To question. 5 on total sample, on the same question, most of the respondents say they do not know if they are influenced by TV advertisements to buy the product that is advertised, so they are undecided (41.82%) of which 25.86% men and 15.96% women .

We can observe very well that the least of those surveyed say they are not influenced by TV ads, no matter how convincing they may be, to decide to purchase a product or service (27.31%, of which 17.16% were men and 10 15% women).

6. Changing attitudes of consumers through advertising, particularly TV.



To question. 6, on total sample, 40.36% of the respondents (16.52% men and 23.84% women) believe that consumer attitudes can be changed through advertising, particularly TV.

The percentage of 20.51% of the respondents (9.64% men and 10.87% women) do not consider consumer attitudes can be influenced by TV advertising, and 39.13% of those who received the questionnaire (22, 25% men and 16.88% women) are undecided in giving a concrete answer to the question.

It is very interesting that most of the categories of age believe that advertising influences consumer attitudes (under 20 years: 40.65%; between 20 to 29 years: 35,08%; 30-39 years: 34.15% between 40-49 years: 33.60%; 50-59 years: 30.86%; over 60 years: 42.05%), and most categories of occupations considered the same, the highest percentage being the officials (49.60%).

4. Conclusion

This paper aims to highlight TV advertising as an appealing and seductive form, combining in this sense different rational and affective proportions. Advertising is neither art nor science, but it is used both by the instruments of the sciences itself and by the specific approach of the art creator.

Until recently, the advertising industry in Romania was mostly based on the import of advertising spots and strategies. Most native attempts were copied as Western style.

Due to the underdevelopment of indigenous industrial sectors, the market is invaded by imported products that are promoted through the same advertisements used around the world. Even most of the commercials made in Romania are commissioned by major international companies. However, in recent years, there is a concern of those in the marketing department of the companies for the specifics of the Romanian consumers' mentality.

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Customer Satisfaction Survey to Tourist Destination Baile Herculane

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Abstract

The idea from which this paper starts is to discover the level of satisfaction of the consumer towards Baile Herculane tourist destination. Satisfaction, the main factor of this analysis was assessed by reference to services offered accommodation in Herculane, catering services, establishments of leisure, of treatment facilities and spa. Of the facilities they provide tourism, infrastructure and planning walking trails. Also the behavior and attitude of employees in the field to the consumer was introduced in the analysis, their preparation and how the institution / organization treats the customer. Appearance sightseeing and access to these objectives can also influence consumer behavior towards the destination.

Key words: consumer, satisfaction, tourism, research, behavior, advertising.

J.E.L. classification: M3

1. Introduction

Literature presents many views on the concept of satisfaction. Some authors believe that satisfaction is an outcome cognitive comparison between is and ought, others define satisfaction as a general attitude.

The difference between these views might be artificial. Satisfaction cannot be reduced to a simple cognitive individual transaction. It always has an emotional dimension. In case of positive refutation, emotional reaction can reach high enough levels when the consumer is surprised and delighted by the unexpectedly good performance of the product purchased. (Datculescu, 2006, p.331).

From a psychological perspective, the satisfaction achieved by using a tourist service is the result of differences between individuals, getting what estimate we should get by purchasing the service

Since satisfaction - an element studied extensively by marketers - is a subjective phenomenon, although it is subject to determinism objective, the more it puts more emphasis on the influence of the senses, through the approach which transcends the classical five senses and more, making it possible to build tourism products starting right from the "activities [...] pinned by the philosophy of the six senses" - six senses, thereby ensuring a strong emotional bond with the consumer. (Stăncioiu et al, 2013, p. 7)

A direct method for assessing the degree of Customer Satisfaction is the regular survey. In the following we present a study on consumer satisfaction of tourism products to the destination Herculane.

2. Theoretical considerations

The study was conducted using a direct quantitative research through a questionnaire about customer satisfaction on destination tourism products to Herculane. The questionnaire was carried out after analysis of the literature in the field, and determining a number of targets and situations.

The questionnaire was applied in the online environment, by sending the questionnaire via Facebook platform, those who wanted to attend and answer the questions were part of the friends list, from lists of friends, so the diversity of the sample being provided, the sample being random.

Implementation study was a short-term one, the study was applied in early August, and is sent only during the two weeks in the online environment, the number of respondents reached 226, but of these only 194 gave valid responses, meaning that the remaining of 32 claiming never visited destination Herculane, so that their responses regarding the service are invalid.

The questionnaire was anonymous in the analyze of the given answers.

Of the 194 respondents in this research, most of them are male 112 and the remaining 82 were female. Age category was somewhat proportionally divided into four categories: 26 respondents are under 25 years old, 61 between 25 and 35 years old, 49 between 35 and 50 years old and the rest of 58 over 50 years old.

In terms of income per respondent, it has been selected as follows: less than 1500 RON 52 respondents, 134 respondents with an income between 1500 and 3000 RON and with over 3,000 RON remaining 8.

3. Method

The research presented in this paper is a direct and selective one wishing to identify the main dimensions of consumer travel behavior applied to Herculane location. In this sense, the implementations of the questionnaire were established the following objectives:

- O1: To determine the intention of buying a tourist service in Herculane location.
- O2: Identify the influences on the consumer attitude in choosing the right destination.
- O3: Knowledge of the main reasons for choosing this destination.
- O4: Identify key sources of information about the destination.
- O5: Identify the segment of consumers who prefer to travel in this area.
- O6: Identify the satisfaction of consumer on Herculane destination.

After an analysis of literature of the studies suggested by many marketers, the following assumptions have been established:

- I1: Most consumers planning holidays to places known and familiar.
- I2: satisfaction of consumer products directly influences the choice of tourist destination Herculane.
 - I3: Most consumers choose Herculane for specific destination spa.
 - I4: Most consumers choose destination Herculane for longer periods of time.

4. Results

The remaining questions in the questionnaire have been established to pursue the objectives set for this research and to check the fulfillment of the assumptions above. Thus, for the question about the reason of holiday were obtained the following results: Leisure, the holidays or resting is the reason chosen by 102 respondents, medical treatment was the next choice in number, namely 86, 3 chose as a reason visiting friends and three other for professional and business reasons.

Thus we can conclude that most choose to spend vacations or holidays in this location, even if the treatment spa is why Herculane is a known tourist location.

In the same vein, another question about motivation (Q6) seems to put location Herculane as the location specialized for resting and relaxation, the possibility of spa treatment, but also for adventure and relaxation in nature. Quantification of the main determinants was a difficult one because many options were selected by the participants, and even have been suggested: trails in nature, and adventure, in the sense that there are difficult routes that can not be taken by

anyone. Rock climbing mountains around were also mentioned, along with fishing activities, routes for cyclists, motorcycles or ATVs. The health benefits were also highlighted by: aero-heliotherapy; thermal baths; mineral waters; hydrotherapy and inhalo therapy.

Although most of the answers have in common the rest, relaxation and health benefits, as I mentioned the exact number for each choice would be difficult to estimate, because the choices were many, most respondents ticking at least three of the proposals: the location; venture; relaxation, rest; spa treatment, even tradition and history, the possibility to visit various attractions offered by specialized websites and travel agencies.

Length of stay or the stay seems to be directly proportional to the question, as to why this location was chosen exceed one day, even those who only go to visit (3 respondents) did not choose this option. The variant of stay was the majority in the elections, 146 respondents choosing stay, and the remaining 48 choosing tourism weekend.

Regarding sources of information, perhaps because we live in an age of technology, media won in selecting the destination, even being offered explanations on the ease of booking, to contact a service provider; even travel agencies offering packages in this area were contacted with the media.

To give a figure, we can mention that the majority of the 105 respondents chosen destination with the media (mainly Internet), 68 selecting destination with friends recommendation (relatives), and the remaining 21 visited Herculane by tourism agencies.

Satisfaction, the main factor of this analysis was assessed by reference to services offered accommodation in Herculane, catering services, establishments of leisure, of treatment facilities and spa. Of the facilities they provide tourism, infrastructure and planning walking trails. Also the behavior and attitude of employees in the field to the consumer was introduced in the analysis, their preparation and how the institution / organization treats the customer. Appearance sightseeing and access to these objectives can also influence consumer behavior towards the destination.

A majority of more than 100 respondents remarked specifically for treatment facilities and their arrangement, and leisure spaces. Also the option of "very dissatisfied" was often circuitous, but it seems that some tourists had problems with staff and in terms of the support services offered. The biggest complaint may be barely visible in terms of promoting location and facilities provided by it.

For a detailed analysis, I mention that in terms of quality of accommodation, 85 of the respondents were satisfied, 22 very satisfied, 62 have chosen the middle, and 25 chose unhappy. According to these data, it seems that spatial planning was the one who gave these results because the figures obtained from this item have been completely different, 145 persons were very satisfied, 32 indifferent, 6 dissatisfied and 11 very satisfied.

Regarding services of the leisure facilities, treatment and spas, most respondents were happy and satisfied with the quality of services 95 being satisfied and 54 very satisfied. In the same category, treatment facilities were appreciated, 119 claiming that they were satisfied and 54 very satisfied and the arrangements of relaxation, recreation and treatment seems to satisfy 146 people and 21 of them were unhappy. It should be noted in this comparison that nobody chose the option "very dissatisfied" and in terms of facilities or to "dissatisfied" was not checked.

Less pleasant situations seem to occur if one compares attitudes and behavior of staff in tourism, training of these employees, how staffs organize special and major events, involving large groups of people. In this comparison can be introduced the consumer satisfaction regarding ancillary services offered by the staff. In all of these cases have also been found negative cases of satisfaction, although the majority remain positive responses.

Paradoxically, the behavior of employees in the tourism sector has received the most positive responses, 160 were satisfied, and most of "very dissatisfied", namely 5 people.

A negative quality seems to receive the promotion of tourism services in Herculane: 22 very dissatisfied with the way the destination is promoted, 78 dissatisfied, 45 indifferent and 49 satisfied.

To see more easily the results and achieve more comparisons of consumer satisfaction for Herculane location, we found easy to present the results in a table form as follows:

Table no. 1 Results for the travel consumer satisfaction in Herculane

	Very dissatisfied	Dissatisfied	Indiferent	Satisfied	Very satisfied
1. Quality of the accomodetion	-	25	62	85	22
2. Quality of the services offered by catering	-	12	81	72	29
3. Quality of the services units	-	9	33	98	54
4. Treatment facilities and SPAs	-	-	27	119	48
5. Leisure facilities	-	2	35	106	51
6. Services offered to the tourists	2	11	62	84	30
7.Tourist infrastructure, tourist routs	-	15	51	125	35
8. Attitude and behavior of	5	10	7	160	12
9. Training of the employees in the tourism sector	2	18	55	96	23
10. Organizing special events	2	22	54	95	21
11.Access to the tourist areas	-	23	29	131	11
12. Accommodation arrangement	-	6	32	145	11
13. Aranging relaxation/recreation/treatment space	-	8	19	146	21
14. Proper promotion of tourist attractions	22	78	45	49	-

Regarding the last question in the questionnaire, the responses are beneficial for destination Herculane, meaning that 181 of the respondents would recommend the destination to relatives or friends, while 152 of the 194 respondents would return to Baile Herculane.

5. Conclusions

According the data obtained by the questionnaire mentioned in the annex of the paper after analyzing the research results, all three hypotheses established were confirmed as follows:

- I1: Most consumers are planning holidays to places known and familiar, this is confirmed in the last question of the questionnaire, which 152 of the 194 respondents said they would return in Baile Herculane, 181 of resondenti even claiming they would recommend the destination to others.
- I2: Satisfaction of consumers of tourism products directly influences the choice of destination Herculane was confirmed by analysis of customer satisfaction, comparisons were made regarding accommodation services, services provided by employees of state and other tourism issues, such as infrastructure, support services, access to tourist locations, etc. The fact that the majority of respondents tended toward the positive side of the graph, in other words being satisfied with what they have experienced, can only confirm that satisfaction directly influences the choice of destinations.

I3: Most consumers choose the destination Herculane for spa has been confirmed, even if the reason for the trip was especially spending free time, holiday, the following reason was medical treatment. For another question, the health effects were mentioned by the majority of respondents choosing more options related to motivate the choice of this destination, the positioning, the climate, the waters of healing, and many other forms of tourism added by the participants as suggestions, making it difficult to select a majority share in terms of reasons for the choice of such destinations. Another question that probably confirms that the effects of the spa location are

beneficial, confirmed by the last of the hypotheses set, namely I4: Most consumers choose destination Herculane for longer periods of time hypothesis confirmed by 146 respondents who chose the stay as alternatively holiday.

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A Financial Perspective on Value Creation

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Abstract

The recent financial crisis, together with the economic bubbles and cycles of explosions have all proved us that creating, evaluating and maintaining value represent not only a competitive advantage, but also a requirement in uncertain situations. And when also the interests are not intercorrelated within the groups, the only way to effectively employ the available resources and to help the economy is by seeking to achieve long lasting value development. The principles used in establishing the value, followed by measurement techniques have stood the test of time. In a world where short-termism still remains a topic open to debates, it is mandatory to be able not to think of creating value for shareholders as a path for enlarging short-term incomes. Otherwise, confusing these fundamental elements can lead to an intensification of risk with regards to shareholder's interest and company's value.

Key words: return on invested capital, the conservation of value, risk diversification

J.E.L. classification: G32

1. Introduction

The recent financial crisis, together with the economic bubbles and cycles of explosions have all proved us that creating, evaluating and maintaining value represent not only a competitive advantage, but also a requirement in uncertain situations. Every attempt on deciding upon a strategic cause requires some compromises. And when also the interests are not intercorrelated within the groups, the only way to effectively employ the available resources and to help the economy is by seeking to achieve long lasting value development.

The principles used in establishing the value, followed by measurement techniques have stood the test of time. In a world where short-termism still remains a topic open to debates, it is mandatory to be able not to think of creating value for shareholders as a path for enlarging short-term incomes. Otherwise, confusing these fundamental elements can lead to an intensification of risk with regards to shareholder's interest and company's value.

A financial perspective on value creation is structured in 5 sections, as follows: part two reveals some theoretical background with regards to value creation theory, while in the third section, some financial drivers of performance are being presented. Summarizing the next part, the role of risk in creating value is being put into light. As for the last chapter, the main ideas of the paper are being emphasized.

2. Theoretical background

In reality, for a hardened investment decision to be taken is not sufficient to have access only to firm's reported financial results and to their personal appraisal on how the company is evolving, its capacities and managers' virtue. In addition to this, understanding which are the key factors that drive the processes within and how the options are being analyzed and chosen by the managers will unquestionably help in having a more detailed picture on how the company is behaving. Because, for instance, an increase in its margins may be explained by the discovery of new and more adequate methods of actions, but also by reducing the costs for advertising, research and development or maintenance.

Although may seem unrealistic, companies can jeopardize value when trying to develop it. This is why a careful attention is needed when choosing and implementing the pillars that will be expected to lead to a long-lasting value achievement. In absence of such guides, the managerial decisions won't be sustained, so even the existing value could be deteriorated, having a negative and unstable impact on the entire framework, with future implications. A 2010 book entitled The Four Cornerstones of Corporate Finance exemplifies and highlights the existence of four cornerstones of finance that guide the creation of lasting corporate value: the first one is that companies create value by investing capital from investors to generate future cash flows at rates of return exceeding the cost of capital; the second cornerstone is referred to as the conservation of value; the third is called the expectations treadmill and the last one of the best owner (Koller *et al*, 2010, p.4-6).

Managers may have specific skills or functional abilities in a wide range of fields, but in order to succeed in creating value their managerial competences need to be a driving force in that certain industry where the business operates. Those who possess the needed information on how not only the industries, but also the entire market will progress, can take the opportunities and enlarge the current businesses or, why not, generate new branches. When analyzing a company's value, we also have to take a closer look to who is managing it and what types of strategy are being conducted. Instead of talking about an inherent value, we should better keep in mind that distinctive owners will definitely produce various revenues for a firm, and all because every manager possesses uncommon skills that help raising value.

Sometimes a company's value is surpassed by the expectations present on the market, making it mandatory for the company to try to achieve that level and outperform itself. Any boost in the share prices does not mean that the actual performance of the company has changed, but can be explained by an increase in the stock market's anticipations. No matter how we perceive reality, the price offered for an asset has to disclose the amount of cashflows that are forecasted to be produced after investing in it. But of course, like any other theory, also this one had to face some contradictions: the value of an asset can be established only by finding those investors who are prone to pay a certain amount, without being supported by reality.

Although the patterns for value analysis may appear to be quantitative, the entry factors can be intensely evaluated in a subjective manner. For instance, any appraisal model is being influenced by company's characteristics and market accessibility, leading to adjustments in value, because of the new data revealed. Taking a closer look to all the information available on the markets and the speed of change, we can observe that also the valuation has to be brought up to date, analyzing whether the changes influence only the firm, the whole industry or all the companies active on the market.

It is often believed that coming up with a more integrated and heterogeneous technique should unveil undeniable valuations, but this is not always the case. As methods are more and more robust, also the minimum number of inputs required increases, making it prone to mistakes. This kind of errors appear especially when the model becomes too complex, turning into a 'black box' where analysts feed in numbers into one end and valuations emerge from the other (Damodaran, 2002, p. 6). Doubts arise not from the types of models that are being used, but from the uncertainty that constantly prevails. Estimating the future events has become almost impossible and meanwhile, financial analysts and investors handle with the lack of information and uncertainty, as apologies for their optimistic estimations. "When the facts change, I change my mind. And what do you do, Sir?" (Kay, 2015)

3. Financial drivers of performance

Every asset, no matter its type, has a certain value and can be valued anytime. The differences arise from the methods of valuation that are used, which of course will range, depending on how easily that asset can be valued. This is why it's vital to discover and comprehend not only the significance of value, but also the source of it, in order to obtain a successful investment and a high performance in managing the assets. Also, in terms of creating value, sometimes the big and productive entities are not worth investing in. Fruitful investments and return on investment can be obtained by transforming an unsteady company, instead of trying to improve the actual

performance of a successful one. It is for certain that a great company does not mean that a potential investment in it may also turn to be a great one. The reason why for investors it is more important to find an upside potential in a company relies in the fact that people's expectations can be easier surpassed. On the other hand, well-known firms may already have their potential and future great accomplishments included into their present share price.

Of great concern for any company should be the structure of its capital and whether it has sufficient capital to achieve the desired goals and to face possible deficiencies that may arise. The problem with scarcity in a company's capital is not only the fact that opportunities along the way will be missed, but what is more important is an eventual inability to pay the debts, or simply stated, insolvency or bankruptcy. Finding an effective balance between equity and debt implies a meticulous analysis and solid decisions to be taken. Because, on one hand, equity supports unanticipated advantages like mergers and acquisitions and it also contributes to a certain stability and adaptability when confronting with unforeseen events. On the other hand, debt has also positive aspects, allowing some tax reductions and a financial self-control. What is for certain is the fact that debt can either build or demolish value through its impact upon the cash flows that are generated in a company. Also, in terms of allocation debt intensifies the expected return for the investors, being perceived as riskier in this uncertain macroeconomic context.

In such a complex framework, unexpected events will always occur, but what is truly essential is to try to identify and estimate their potential unwanted repercussions. Understanding the effects on the operating cash flows is an important step forward that will help companies identify if the existing structure can create value or not and in which directions.

Even if between cash flows and earnings can be often found a correlation, they cannot alone offer all the necessary details in regards to value creation, this being the reason why aiming all the attention at earnings can frequently mislead the companies. But, dividing cash flows into two main parts: revenues and return on invested capital (ROIC) will provide a clearer explanation on what is really driving a company towards higher achievements. Improvement in terms of revenues, return on invested capital and cash flows being strongly connected give the alternative of comparing the company with the industry or even the entire economy in terms of growth and with the competitors or its own past achievements in terms of return on capital.

Taking a closer look to these financial concepts, we can notice that no matter at which point growth is, value will always enlarge when also the return on invested capital will progress. Or, simply stated, in caeteris paribus conditions, an increase in ROIC has only benefits, although this is not the case when referring to growth. With an increase in ROIC and in growth, also the value will expand, but when ROIC registers lower levels, a quicker growth will diminish the current value. A break point where we can analyze more accurate whether growth has positive or negative effects on value is when the cost of capital has the same value with the return on capital. Because, for instance, in case of returns surpassing the cost of capital, a rapid growth will automatically push value up. Vice versa, at the point where the cost of capital is the same with the return on capital, value is neither improved, nor diminished and it doesn't matter how swift the entity is trying to evolve. The foundation of creating business value by acquiring a return on capital that surpasses the cost of the capital dates back in 1890, when Alfred Marshall exposed this timeless doctrine.

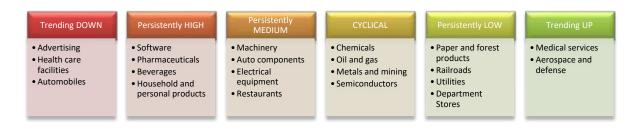
As for the factors that influence every company's ROIC, it is mandatory not only for the investors, but especially for the managers to seek in the industry's characteristics and see which are the main competitive forces of their own company and how the competition is acting and reacting in response to them. If succeeding in doing so, the company will undeniably create itself some occasions for a solid value creation. A company that is aware of its strengths will definitely achieve a higher level of return, no matter if their strategic steps are aiming towards premium prices or, by contrary, reducing the costs per unit.

The way in which every industry on the market is shaped reveals not only the behavior of the participants, but, moreover, discloses also insights about the degrees of performance that can be obtained. For example, while the industries with a significant ROIC seem to have an appealing architecture, the low-ROIC industries show some weaknesses and deficiencies in their business models. Undifferentiated products, capital intensive and limited alternatives for improvements and innovation are just some of the arguments that describe a low level of ROIC industries. But, of course, this doesn't mean that there are no exceptions. Barriers of entry on the market, the

accelerated ability of technology to quickly create and destroy business models (Sanwal, 2007, p.34), new laws and regulations can all have an impact for a specific firm or for the whole industry.

Another focal point in determining how to create and conserve value is represented by the sustainability of the return on capital invested, because aiming to possess a high level of ROIC for as long as possible will generate more and more value. The economy is proving us that when we refer to the companies' and industries' performance based on their ROIC, they lean not to change their position for long period of times (Figure 1). Being part of an innovative industry, where patents conserve the most successful ideas, results in a persistently high ROIC, while in the commodity industries superior price or product differentiation are nearly impossible to accomplish. As for the cyclical industries, the ones that are characterized by a strong volatility, it is hard to consider them as being part of only one category, without fluctuating.

Figure no. 1. Persistence of industry ROICs



Source: (Koller et al, 2010, p.131)

As any other approach, also this one had to face some contradictions, being called into question the relevance of the return on capital, justifying that the economy has evolved in new directions, where companies don't possess anymore so much physical capital and the intellectual property plays now a major role on the market. Although in the recent years a multitude of innovative changes have occurred transforming the economy, it was not enough to make the principles of economy forgotten, especially in regards to the theory of value creation.

4. The role of risk in creating value

Although value is undoubtedly the most representative parameter of a business in a market economy, risk assessment as well should not be treated with less importance, because of its effects not only for the near future, but also for longer periods of time. Despite the time value of money, meaning that tomorrow the same amount of money will worth less than they are today, investors demand a value for their investments, high enough to offset the risk they are facing. Finding, anticipating and managing the risk that persists in every business, industry or in the whole market is of great concern, because of the complexity of this phenomenon. Despite its complexity and multitude ways of impacting the companies, risk has different meanings for the main categories of shareholders, each having a different perspective and a subjective manner of analyzing.

One of the most important drawbacks in trying to measure the risk arises from the fact that singular risks may anytime merge with others, resulting a conglomerate uncertainty, which seems almost impossible to detect before it breaks out. Despite this threat, it is a common mistake to think that all risks have to be lessen, without thinking of the opportunities that may derive from the unknown, not to mention the fact that investors won't see any advantages in a company that doesn't assume any risk. Whether we refer to companies that are part of the same industry, the decisions concerning the reduction of some risks and the acceptance of others it will always be a particular one, depending on circumstances and the objectives that are set. Short-run financial risk is often called transactions exposure (the exposure typically arises because a firm must make transactions in the near future at uncertain prices or rates), while a firm's exposure to long-run financial risks is often called its economic exposure, because long-term exposure is rooted in fundamental economic forces (Ross *et al.*, 2003, p.815-816).

Finance theory is teaching us that under no circumstances, managers should accept risks that may threaten the future of the entire company. It is advisable to try a diversification on the cost of capital, which can be translated into a separation of the risk. We should diversify across industries because firms in different industries, especially industries with different economic characteristics, have lower covariances than firms within an industry (Markowitz, 1952, p.14). Keeping in mind that investors are expecting a higher return only for the risks that can't be diversified, a reduction in the price of risk will mean, at the same time, a decrease in the risk that investors are accepting. Despite this, a total conservative approach won't bring any benefits, but instead can lead to a neglection of the appealing, but precarious investment alternatives. Managers should not aim to exclude tolerable volatility that is present in cash flows and also in earnings, because it is normal to have a certain degree of exposure to the macroeconomic uncertainty, even if this means interest rates or currency risks.

Lacking in a factual risk culture, companies are not able to project various scenarios and every investment decision, whether we are talking about an acquisition or a capital expenditure is being summarized by only one financial forecast. This happens mainly because managers are cautious about a more optimistic scenario, having in mind that maybe the investors will consider this one the expected and demanded result. Vice versa, managers are hesitating to expose as well the drawbacks of a project, thinking that maybe the idea will be dismissed. In absence of an open dialogue about real upside potential and the flaws of risk, in many cases earnings are not high enough to exceed the cost of capital.

While some might mistakenly consider value investing a mechanical tool for identifying bargains, it is actually a comprehensive investment philosophy that emphasizes the need to perform in-depth fundamental analysis, pursue long-term investment results, limit risk, and resist crowd psychology (Graham, 2008, p. XIII-XIV)

5. Conclusions

Creating value and adopting its benefits transform companies into more fruitful and vigorous entities, which, together with the investments in sustainable growth are improving living guidelines, are discovering new circumstances and choices for humans and last, but not least, are establishing trustworthy economies. Relying on information, together with analytical data, broad analysis and a strong comprehension in regards to the characteristics of the industries are all vital elements in attaining permanent value and power. The structure of an industry is possibly the most essential factor that generates a competitive leverage and satisfying degrees of return on capital and its shape reveals not only the behavior of the participants, but, moreover, discloses also insights about the degrees of performance that can be obtained.

Whether we talk about value creation or value conservancy in particular, or value, in general, it is important to associate these concepts with the return on invested capital, or in other words, the rate that investors are expecting to gain in exchange for the amount of money invested. Adjustments in every company's strategies are also influenced by how the firm operates in terms of returns on invested capital and growth, so succeeding in increasing the revenues and using the capital at tempting rates of return will clearly generate more value. Improving the stock market performance of a company can be achieved also by determining long-term value especially for the shareholders, this action having as a result financial and human capital benefits for other stakeholders, as well.

In such a complex framework, unexpected events will always occur, but what is truly essential is to try to identify and estimate their potential unwanted repercussions. Understanding the effects on the operating cash flows is an important step forward that will help companies identify if the existing structure can create value or not and in which directions.

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Manager versus Leader. Why Are Both Roles Valuable?

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Abstract

The confluence between a good manager and a good leader stands at the intersection of skills, strategic thinking and ethical integrity specific to the manager and the emotional intelligence, power of persuasion, empathy, passion and open communication specific to the leader. In this context, the present paper's objective is to highlight the interconnection between the management / managers and leadership/leaders.

Key words: communication, leadership, skills, management, vision

J.E.L. classification: M12

1. Introduction

The management of a company represents a component of management science, in fact, the most developed and important one under the conditions of market economy, where the company is the basic economic agent of each economy and, at the same time, the main value generator.

A basic component of management, that strongly influences the performances of companies is, without doubt, leadership. Today, leadership has found its well-deserved place in the science and practice of management in the contemporary world, by bringing together the energies of people and groups, particularly through the power of creation, towards the fulfilment of objectives, targets and missions of an organization.

2. Theoretical background: Certain aspects regarding the concept of "manager"

The fact that managers play an essential role within an organization and its accomplishments, being influenced in a decisive manner by the quality of their performance, is unanimously accepted.

The reputed specialist, Peter Druker, the most important thinker – in the opinion of The Economist – the science of management ever produced, presents the manager as a real "hero of the 20th century", some sort of a "moral alchemist" which leads through the integrity of his own character. The essential mission of any manager is to "make the resources productive", and management is an activity based on responsibility, a dynamic phenomenon capable of giving life to any business. (Mihut, 2006)

Generally speaking, managers are people to whom employees are directly subordinated, who make management-related decisions that directly influence the actions and behavior of others.

The defining characteristic of the manager lies in his power over others, that implies both the right and the ability to influence their behavior. (Hintea *et al*, 2010, p.36)

In specialty literature, the manager is defined as being an employee who carries out actions related to planning, organization, management and control, possessing a great level of control over any of the following elements within the organization: money, time, workload, decisions, technology, equipment, standards, meetings, other people etc. This activity may concern: either the activity of the whole organization, or the activity of a department, or the activity of a job. (Popa *et al*, 2013, p.12)

The great importance managers hold within the organization also results from the large number of roles associated with them, namely: decision-making roles - related to the establishment of certain future courses of action, informational roles - connected to receiving and transmitting information: interpersonal roles - related to developing and maintaining appropriate human relationships.

Managers stand out from the rest of the executants through their qualities, competences, skills, knowledge and kinds of behavior they possess to a greater extent than the other employees of the company, but also through their knowledge and skills related to this field.

Particularly, in the context of the contemporary challenges of the manager, specific to the beginning of the 21st century (Popa *et al*, 2013, p.20), out of which we limit to mention the globalization of business and the internationalization of companies, diversity, ethics and the intellectual capital, change, it is mandatory that the managers' skills adapt accordingly.

In an environment which is subject to constant and rapid changes, in order to be a successful manager, there is a need for more entrepreneurial qualities, for the development of leadership skills, so that one may contribute more to the development of the company. It is important that the manager is more customer and cost-oriented, to propose optimistic and ethical goals, to extensively communicate these visions and, at the same time, to help the others raise to the highest standards (Kotter, 2015, p.264).

The issue regarding the essential qualities of a successful manager has long been debated and specialists in the field have put emphasis on the fact that some of those qualities should be (Muscalu, 2014, p.183):

- the ability to establish a clear course of action;
- availability for open and intense discussions with stakeholders;
- the ability to train and support people;
- the ability to objectively recognize the performances of the subordinates;
- the ability to carry out continuous controls;
- the potential for selecting the right human resources;
- the ability for realistic assessment of financial implications of managerial decisions;
- an open mind, receptivity to new ideas;
- the ability to communicate clear decisions to subordinates;
- ethical integrity.

3. The leader and the leader-manager

One of the most important elements that has an impact on the success or failure of an organization is, unmistakably, the leadership.

Having both a formal and an informal basis, leadership represents a leader's ability to determine a group of people to co-work with him in order to achieve an objective based on their strong affective and operational implication.

The main implications of leadership are the following:

- establishing an environment of mutual trust and for the solving of certain interpersonal problems;
- providing channels for open communication;
- creating elements which are favorable to social interaction;
- increasing mutual trust and mutual respect among team members;
- ensuring knowledge of the team by using formalities, rituals and symbols;
- using team-oriented incentives.

The leader is a chief, a person that is, officially or unofficially, in charge of others. The leader uses his vision to establish the direction in which other people make an effort and influences them, motivating them to follow that direction. (Popa *et al*, 2013, p.12). The vision imposed by the leader provokes the others, enhancing their motivation. Generally, people are more receptive to clear and exciting purposes, rather than to the simple impulse: "Do your best!"

Regarding the interface between leadership and management, implicitly between leader and manager, we support the opinion of specialists according to which management hosts a wider sphere of issues and leadership represents, in fact, one of its components that specifically addresses the human dimension of management. (Nicolescu, O., p.516)

Next, we render some rules of leadership behavior in relation to group members and other collaborators, without claiming an enumeration with exhaustive character:

- differential treatment of each individual, putting in one's shoes, objectively and correctly assessing the knowledge, qualities, skills and abilities that the individual possesses;
- non-discrimination and impartiality, solid principles, beneficially accepted, rather than regulations;
- respecting the dignity and personality of the collaborators; treating the collaborators as they are, not as one believes they should be, without expecting the impossible;
- offering examples, not lectures;
- open, convincing and clear communication, with feedback;
- taking into account the outcome of scientific research, according to which 90 percent of losses are due to leadership mistakes and only 10 percent are due to the mistakes made by employees;
- combating rumors with known, verifiable facts.

Outstanding leaders stand out from the rest through the power of persuasion and the clarity of their own ideas, through their desire and openness to permanent learning that they possess. They are the ones who instill confidence into those around them and feel it is necessary to learn together in order to achieve the desired results. (Senge, 2012, p.432)

As opposed to managers, leaders guide people to achieve the goals of a company, not through manipulation, but through influence. (Udrea, A., Coatu, C., p.650)

Truly effective leaders are those who share the same appreciation for the ability to carefully and fairly assess the current reality and for the ability to develop a vision.

In our opinion, what truly ensures success as a leader is given by emotional intelligence. It has the following elements: social awareness (empathy), self-awareness, self-control (learning to control one's own reactions) and coordination of relationships.

The leader-manager is defined as a leader who occupies a managerial position, his promoted goals and courses of action targeting the organization in question and those who follow him are both the employees and other stakeholders of the organization.

The following table presents a few differences between the "typical" manager and the leader-manager.

Table no. 1 Comparison between the typical manager and the leader-manager

Major elements	The good "typical" manager	The contemporary "leader" manager, focused on change
The general perspective of approach	Analyzes, optimizes, delegates, organizes and controls. Believes he is the one who knows best what is to be done.	Constantly accomplishes, tries, makes changes. In his opinion, no one knows best what is to be done.
Final priorities	Market share; Earnings per share; Obtaining material resources beneficial to the company; Self-promotion. All numerically expressed.	Satisfaction of both the organization's customers, as well as of employees. Providing value to customers, employees and owners. Insurances of customer loyalty. Self-development.
The conception on which leadership is based	Strategy-centered. Decides, delegates, monitors and reviews. Time is spent for the solving of important problems.	Focused on the aspirations of the employees. Performs effective work. Time is spent for the solving of problems which mainly concern people.

The sources of productivity and	The result of previous and current	Previous and current
innovation	investments;	productivity.
	Superior technologies;	Systematic, not accidental
	Control of processes;	innovation of processes.
	"Human manipulation": the	Continuous development of the
	employees are seen as a resource	employees is a priority, a
	that must be exploited	certainty and a catalyst for
		success.
Taking responsibility	Individual responsibilities are	Harmonious combination of
	clearly set according to the "You're	individual and group
	the one who is responsible!"	responsibilities according to
	principle	the "We are responsible!"
		principle
Risks, rewards, benefits	Supports avoiding mistakes and	Failures are perceived as
	failure at all costs.	situations that can occur and as
	Supports the limitations of career	sources for learning.
	risks and prefers safe approaches.	Supports taking career risks,
		believing that a successful
		career involves accepting risks.

Source: (Nicolescu, 2011, 377)

4. Conclusions

It cannot be discussed about the complete overlap of management with leadership. Even if management and leadership are different activities, they do not exclude, but complete each other. Good management includes competent leadership as its component. We highlight, in this context, the major role of leaders in setting the vision, direction and the essential role of management in the efficient use of available resources. A proficient leader is the one who represents the interests of the group, protects its reputation, while at the same time taking care of its identity. Communication is not only the sole element through which managers and leaders can assert and affirm themselves, but also one of the most important qualities for a manager or leader.

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Some Considerations Regarding the Role and Importance of Talent Management

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Abstract

The fact that human resources are an indispensable, vital resource, is unanimously accepted. Human resources enhance, improve the other resources and stand at the origin of all the performances of the company, of the achievement of its mission and goals. Every organization needs the right and talented people, specialists. Not only does an individual's talent matter, it makes a difference. It is what grants more value to the company. Successful organizations are the ones that know how to find talented people, how to attract them, how to keep them and, particularly, how to enhance their talents.

Key words: competence, motivation, specialists, talent

J.E.L. classification: M12

1. Introduction

In the contemporary world, people represent a fundamental resource and a strong force for any organization. (Vagu, 2007, p.5).

In the last years, talent management has enjoyed a real and wide interest, not at all surprising in the context in which the long-term success of an organization has become indissolubly dependent on the skills of the employees, on their motivation and performance.

Rightfully so, the reputed specialist J. Schreiber, claims that "Management is the art of all arts" particularly because "its purpose is the enhancing of people's talents." We support the opinion of the specialists (Bogdan, 2014, p.177), according to which each individual is born and raised with his own talents, that not being only the privilege of some, and the accomplishment of management is to identify such talents and use them.

2. Theoretical background

In specialty literature (Ionescu, 2006, p.471), talent is defined as "the amount of a person's abilities (broadly defined as graces / gifts, qualifications and skills) knowledge, experience, intelligence, judgment, attitude, character and orientation."

People's talent is visible in what they can achieve at a high level and without effort, working with real ease, passion and enthusiasm. With good reason, ever since the 19th century, the Swiss writer and philosopher Henri-Frederic Amiel pointed out: "Doing easily what others find difficult is talent..." Talent in an organization is that resource that today brings value to an organization and has the ability to do the same also in perspective.

Talent is an indicator of potential for performance and should be understood as referring to employees who have certain natural abilities, of doing a certain thing at a higher level than others, to employees that have one or more exceptional skills.

Competence can be defined as the ability to act effectively in a number of situations, by putting together the necessary knowledge at the right time in order to identify and solve problems. Competence involves integrated complexes of knowledge, skills, capabilities and attitudes (Ciubotaru, 2015, p.42)

Although the concept of competence is approached from different perspectives, in the context of several points of view however, some common elements are noted:

- competences include knowledge, skills, attitudes, etc. elements that lead to a high level of professional performance;
- competences become differentiation elements between different degrees of achievement;
- the constituent elements of competences must be observable and quantifiable. (Avasilicăi, 2012, p.17)

Today, competence is recognized as an important need for both the person and the organizations and social systems to which one belongs (Vlaşin, 2013, p.17). In particular, wherever performance matters, there is a great need for competence.

"Nowadays, entrepreneurial thinking and the actions derived from it are the most important skills that companies require for their employees." (Hoffman et al, 2016, p.21)

Talent management is a specific, knowledge-based management technique "dedicated to attract and maintain the elites in an organization on the basis of establishing precisely defined objectives and the on the development of specialized and effective identification processes, their attraction, keeping and management, using certain approaches, procedures and modalities realized by human resources specialists working with T-managers." (Nicolescu, 2011, p. 505). Fully grounded, it is argued that integrated talent management provides the premises that are an essential element for creating and sustaining value on long term (Lyon, 2011, p.4).

By discussing the elements of Talent Management, the previously cited specialists (Nicolescu, 2011, p. 505) identify four important elements: identifying talents, attracting talents, preserving talents and leading them.

3. Findings

Identifying talents is the starting point, the first step in talent management and, at the same time, a growing concern in companies. The company must identify and use the existing talents, but also recruit new ones. Talented people are a precious resource that is not always discovered. Not few are the companies that aim at identifying talents as early as possible in their career or identify future top managers from the academic studies period (Muscalu, 2016, p. 99). More and more companies propose internship programs in their desire to attract young talents with growth potential that can later become part of the team, and social media became a valuable tool for recruiting the best candidates. On the other hand, the struggle for talents is nowadays being conducted internationally in a labor market without frontiers, and the sources of recruitment have become oasis of gain (from the home country, from third countries, from the host country etc.). The accentuated mobility of talented people is an obvious reality nowadays, and creative recruitment methods play an increasingly important role in finding them.

Attracting talents is outlined as a crucial issue for the management of the organization. In order to attract talented individuals or people with special qualities in certain areas, a wide range of means can be used, such as:

- constantly offering professional challenges to specialists, especially in the area where they excel, because they are prepared and are constantly waiting for new challenges;
- an attractive working environment in which people like to work, characterized by flexibility, appropriate to promote the talent potential. Spectacular transformations are possible when (Hoffman et al, 2016, p. 128) the right talent finds the right opportunity in a company with a healthy philosophy;
- a strong financial motivation regardless of the field of activity or the size of business, one thing is certain: the key to success are motivated employees. Motivation becomes even more important as talent is a valuable resource and its price is high. Talented employees have high expectations of financial rewards, as they are fully aware of their value and cherish

development opportunities, wanting to learn constantly, to become better and better. There are some aspects that, if they are disregarded, will lead to the loss of talent, etc. In other train of thoughts, it is obvious that managers cannot conceive motivation programs for each employee, but it is important for them to understand that each employee has his own personality and more, the fact that each of them has his own unique talent and unique potential that can and should be used to achieve the company's goals. Specialists (Lefter et al, 2012, p. 7) appreciate that increasing expectations from employers are "partly due to education, but especially to the requirements regarding the quality of life and the self-perception of "customer" of the employer ". The education is responsible for: structure of consumption, public health, standard of living. (Mihăescu, 2014, p. 631). Beyond a satisfying salary, talented employees look for their own career development, appreciation of their work, and a fair assessment.

Keeping talents is, in turn, one of the greatest challenges for the present companies. Undoubtedly, keeping talented and competent personnel at work has to be a desideratum, given its value to the organization. Talented people are not only more and more difficult to find, but it's also difficult to keep them in the company. Employers must become aware of the need to make additional and sustained efforts to keep their talented employees. It can only be healthy to create an environment of trust between people, of creativity, within which managers need to know how to relate to talented people.

Under the fourth element of talent management, it is important for talented people not to be restricted within routine tasks, but to place them in positions that allow the production and use of knowledge at the highest level, in positions in which they can show their creativity. In this context, it is necessary for companies to become aware of the importance of creativity and to stimulate it, to promote innovation and not to focus solely on productivity or other means of assessing activity. Creative thinking is the power of mind, it is the process of novelty in the existence of people and in the existence of the companies. Excessive control, excessive supervision also should be avoided because of the negative impact on talented people. Talented employees need to know how and when to use their strengths to maximize both their success, as well as that of the organization.

4. Conclusions

The capitalization of the talent and passion of employees, is, in the contemporary world, a necessity. Today, success in business means finding talented employees, motivating them and keeping them. A good manager must be able to turn people's talent into performance. So, performance is an exclusive result of the quality of the human factor. Talent management is emerging as an objective necessity, capable to provide businesses with sustainable profit and growth.

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Neuro-Linguistic Programming Techniques of Motivation

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Abstract

The specific techniques of Neuro-Linguistic Programming (international acronym: NLP) meet the managers, leaders and consultants halfway so that they can better understand the way in which employee qualities and methods of motivation, of boosting morale will be capitalized for engaging people in achieving goals. Most of the NLP advanced applications used in the business field usually refer to advanced linguistic models and superior observation tools that have the potential to explore deeper into the human subconscious, contributing to the programming process by creating new convictions and beliefs which will subsequently harmonize the individual with the internal environment of the organization. all these applications provide numerous means to cope with nonsense and real problems of current management, without which it would be very difficult, if not impossible to exist a management capable of ensuring an efficient conduct of activities and an optimal level of professional satisfaction.

Key words: sensory acuity, complex equivalents, modeling, reflection, rapport

J.E.L. classification: O15

1. Introduction

The aim of NLP techniques is not only to pursue everything that is part of the communication process, of verbal language (words), non-verbal language (mimicry, gestures, posture, atitudine, general aspect) and paraverbal language (tone of voice, rhythm and volume of speech), but also the optimal use of senses to better understand the world we live in. The objective of NLP techniques is to imitate the behavior, gestures, reactions and actions of an individual both for better communication and for directing that individual towards a certain behavior and to make certain decisions. However, NLP is not only a series of techniques; it is also a method of thinking, a vision based on curiosity, exploration and *creativity*. In the organizational management, these techniques are used to make the most effective use of the resources available to achieve, in full, the proposed activities and goals. Today, NLP techniques allow access to a higher level of consciousness and a broad perception of one's own person and of the environment in which we carry out our activities and relate (Table no. 1).

Table no. 1. Comparative analysis of NLP techniques

Characteristics of				
sensory acuity	<u> complex</u> equivalence	modeling	mirroring	rapp <u>ort</u>
Calm atmosphere	Calm atmosphere	Calm atmosphere	Calm atmosphere	Calm atmosphere
-	_	Trust	Trust	Trust
	Non-verbal	Non-verbal	Non-verbal	
_	- -	communication	communication	communication
		Verbal	Verbal	Verbal
_		communication	communication	communication
Sensory acuity	Sensory acuity	Sensory acuity	_	_
Matching	Matching	Matching	Matching	Matching
behaviour	behaviour	behaviour	behaviour	behaviour

<u>Characteristics of</u>				
sensory acuity	<u> complex</u> equivalence	modeling	mirroring	rapp <u>ort</u>
_	_	Imitation	Imitation	_
_	-	_	Getting reactions	Getting reactions
-	-	Strong mental connection	Strong mental connection	Strong mental connection

Source: adaptation after Iosif, C.M., 2013, p. 77.

2. Theoretical background: Sensory acuity

In NLP, sensory acuity is related to observation skills and means "to be aware of the world around us, of the senses, to make refined distinctions regarding the sensory information which we receive from the surrounding world" (Dilts, 2014, p. 255). The term acuity derives from the Latin word acutus, that means cutting or sharp and refers to the ability to make subtle distinctions regarding the information received from the surrounding world. Sensory acuity assumes the optimal use of the senses (visual, auditory, kinesthetic, olfactory) to be able to figure out what happens with us and the world around us, the development of this technique providing the possibility to better understand the types of people, another way of knowing the outside world, an increase in the quality of perception or consciousness. The development of sensory acuity ultimately leads to the improvement of the capacity to decode non-verbal signals that are transmitted unconsciously (Iosif, 2013, p. 74). Thus, it is possible to better perceive the transformations both within and outside the organization, observing the changes in the attitudes and behaviors of the employees.

Sensory acuity involves the combination of the perception level of a person and the environment in which that person exists, providing a set of indicators through which the level, depth and quality of non-verbal signals transmitted can be identified. The higher the level of this technique, the better the quality of the observations made. Sensory acuity is directly proportional to the sensitivity of the observer's senses. Through the use of sensory activity complex equivalences of non-verbal language and their effects on human physiology are identified. In this way, the better sensory acuity, the more efficient is our communication with the others. On the one hand, verbal communication, non-verbal communication and sensory acuity have the role of achieving the synchronicity of various behaviors so that the feeling of confidence emanating from these actions is maximal, and on the other hand, the information contains as few redundant elements as possible, being related to the main data in the verbal and non-verbal communication. also, the use of this technique is a prerequisite for motivating employees.

3. Complex equivalence

A *complex equivalence* is "a linguistic distortion pattern where you make meaning of someone else's behavior from the observable clues, without having direct corroborating evidence from the other person" (Dilts, 2014, p. 260). also, it is the process by which two statements are linked in such a way that one has the meaning of the other. *Complex equivalences* lead to the creation of two main categories of elements of an employee:

- *Values* (what is important for an individual in a certain context) are what *motivates* us in life. all *motivational* strategies have a kinesthetic component (Dilts, R.B., 2014, p. 272).
- *Criterion* (NLP term used to define a value) *values* or standards used by a person to make decisions and judgements (Dilts, 2014, p. 259).

Complex equivalence of a value leads to the basic experience by recombining the representational systems, thus indicating the process of value formation (Iosif, C.M., 2013, p. 74). The creeds related to causality and those relating to the world work on the basis of values. In NLP creeds are (Dilts, 2014, p. 259):

• Carefully kept generalizations related to (1) the cause, (2) meaning and (3) the boundaries in (a) the world around us, (b) our behavior, (c) our capabilities / abilities, and (d) our identity. Creeds work at a different level from the concrete reality and serve to guide and

interpret our perceptions of reality, often by connecting them to our criteria or systems of values. *Creeds* are notorious for being difficult to change by typical rules of logical or rational thinking.

• The generalizations we make about causality, significance, ourselves, the others, behavior, identity, etc.. Our creeds are what we consider to be "true" at any moment. Creeds guide us in the perception and interpretation of reality. Creeds are very close to values. NLP includes some patterns to change creeds.

Once activated, our *creeds*, our various experiences in the professional and personal fields are either confirmed, or refuted. Since they imply characteristic experiences and feelings, *creeds* may conflict from a certain point of view. Based on certain elements (identification, use, the hierarchy of *criteria*, individual abilities, *values*, behaviour, context, the helicity of *complex equivalences*), by comparing the new beliefs with the already existing ones, one can reach both intense convictions and their change.

The use of *sensory activity* allows the identification and accessing of certain behavioral indices with which personal strategies are easier to decode, improving at the same time the communication process. On the one hand, through the use of the three sensory elements VaK (where V = visual, a = auditory, K = kinesthetic) in the main sensory system one can create or improve strategies that better meet environmental requirements. On the other hand, the impact of the main representational system on one person's own *maps* leads to the improvement of efficiency of that person's behavior (Iosif, 2013, p. 74-76).

4. Modeling

Modeling is a relevant technique especially for the integration of neurological functions (motor, sensory, balance, coordination and reflection) and of behaviour. It is the technique by which you can copy, transfer and adapt certain performance behaviors from a person with very good results to the persons with average results (Dilts, 2007, p. 126). It is the process by which a complex event is divided into a series of smaller events that can be easier used and interpreted (Iosif, 2013, p. 74-76). It is also (Dilts, 2007, p. 265):

- "the process by which the map of other people's successful behaviors is observed and made":
- "the process of observing and duplicating the successful actions or behaviors of other people";
- "the process of discerning between the succession of inner representations and the behaviors that make a person to succeed in accomplishing a certain task".

In his book "Steps to an Ecology of Mind", published in 1972, Bateson G. defines *modeling* as "a pattern, in fact, is definable as an aggregate of events or objects which will permit in some degree such guesses when the entire aggregate is not available for inspection." (Bateson, 1972, p. 407). However, as a technique, the *modeling* process consists in the following (Dilts, 2007, p. 33):

- fundamental units of differentiation and information pertinent to the operation of the larger assembly:
- the set of rules governing the fragmentation and classification of this information;
- knowledge of all rules of *redundancy* (types of information encoding) which are recognizable within the assembly;
- knowledge of the *feedback* properties of the assembly and assemblies that make it up of which it is a part.

The use of *modeling* technique frequently involves an examination of the characteristics, of the behaviour or even of the physical features of the employees with the aim that eventually they will become more efficient. In NLP, *modeling* means that any type of personality and behaviour an individual would have, they have a certain value and are an invitation for the others to find new perspectives for themselves, to discover themselves and think more about their own behavior, and increase their abilities in *metacognition* and reflection, thus getting feedback about themselves. Each individual develops his/her own behavior throughout his/ her life. The *modeling* technique helps him/her to learn how to use his/her abilities and skills as resources for individual

development. The more an individual knows itself / knows the others and is aware of its personal weaknesses and strengths, the better he can use them for an optimal development both for himself and for the others.

The modeling technique follows a certain format: copying the behavior, encoding it and removing the elements that are redundant and transferring the copied behavior to the target person (Iosif, 2013, p. 75). "Through the use of modeling, any model of a person can be copied, transferred and then customized according to the needs of each individual." (Iosif and Socaciu, 2009, p. 103). Modeling is based on the following elements: uniqueness (a person always makes the best choice for itself), any problem has at least one solution (we all have problems in our lives; the only difference is the unique way we solve them; flexibility in thinking makes it possible to find the optimal solution as quickly as possible) and management of the necessary change (each individual possesses within himself the resources necessary for his own change, evolution, liberation of the mind from the old paradigms and everything that is harmful to the thinking process).

The *modeling* technique implies strategic thinking, the systematic classification of strategies and identification of linguistic *markers* so as to cause the recreation of that individual's behaviour. Using linguistic markers, differentiations can be made within a person's linguistic structures, but they can also be used in a creative manner to achieve a particular objective. The main way of using these *markers* is given by the behaviour of each person. The more a person makes closer connections between his/her conceptual behaviors and the language he/she currently uses, the more the meanings granted to various situations, things, are larger and innovative. Thus, the way of establishing the connection between concept and language, on the one hand, and the assigned meaning lead to a certain state of control of perception. The efficient use of these linguistic *markers* involves, first of all, the possibility of their correct identification by constructions such as: "because", "if", "then", "when", "for", "so that" as well as of the cause-effect relationship including at least one term of comparison as a universal quantifier: "always", "never" (Iosif, 2013, p. 75-76).

The elements on which the *modeling* technique is based are: *internal processes* (are based on strategies and beliefs), *external behavior* (is based on physiological, neurological and behavioral elements) and *inner states* (which are based on one persons' emotions, moods and values). These three elements make up together the structure of the subjective experience. The information based on the internal processes of an individual determines the identification of the causes that generate the variability and differences in its behaviors and performance. The process is, however, both formal and systematic and justifies in a rigid manner the empirical evidence of personal sensory experience (Dilts, 2007, p. 34).

5. Reflection

Reflection is the technique through which "certain experiences can be activated or reactivated according to a certain context" (Dilts, 1996, p. 129) and symbolizes the matching of behavior/language of two or more persons. This technique aims at the identification of various behavioral patterns of an individual, their analysis and transfer so as to confer a state of comfort, safety and reliability to the individual, elements that are necessary to achieve the objectives.

Reflection can be interpreted as the intermediate form of guidance by which the behavioral patterns of a person are obtained (Iosif, 2013, p. 72); it has two variants:

- *Natural reflection* allows the imitation of the main indices of a person's behavior body posture, language peculiarities, facial expression); through the use of this technique the position of the body, the way of speaking and manifesting are given in the rapport with the other person. The purpose is a rapid and efficient adaptation to the reality of that person, so that the rapport between the two persons can be generated and the person in question can be directed towards a certain objective (Iosif, 2013, p. 73).
- Physical reflection is the form of a reaction to what happens to an individual, being considered by some authors as having a direct action on the team. This technique allows the creation of a strong mental connection between the people involved. Thus, If one of the team members does not feel at ease, the others will feel automatically the same. If

natural reflection refers only to that person's body, phyiscal reflection brings further elements of non-verbal language elements which, when interpreted correctly, can provide those few pieces of information sufficient to tilt the balance in favor of that party (Iosif, 2013, p. 73). Through the use of this technique it is aimed to make mental connections between the parties involved in this process; if this succeeds, the people in question will share the same thoughts, feelings and beliefs, which will lead both to a decrease in the resistance in the communication process and to a better decoding of the nonverbal language used in the company of people with whom we resonate, people we can rely on.

Reflection generally reflects all life experiences, thoughts, feelings, actions and memories. They are the basis and force of motivation, thus bearing the beginning and the finality of the action. Reflection receives and sends out any changes in the transformations inside a person, even if they come with a slight delay (Iosif, 2013, p. 73). Through the use of this technique, certain subconscious behaviors that support both the individual and the working group in achieving goals can be reactivated.

6. Rapport

Rapport is defined as the state in which an individual is "in sync" with another individual (Bandler, 2008, p. 82), a feeling of being in-sync with someone else, the feeling of reciprocity, trust, created by pacing, reflection and matching; a state of empathy or of holding the second position (Dilts, 2014, p. 268) and is mainly based on non-verbal communication. Through the use of rapport within the process of communication, it is aimed to establish trust, harmony and cooperation in a relationship in order to achieve the objectives of the assumed mission. The rapport technique allows us to understand the way in which other persons perceive the world and how these persons process and select the information.

Through the use of *rapport* one can identify the main directions of action of an individual, but can also modify *language*, *accent* and *posture* – verbal and non-verbal communication elements (Bandler and La Valle, 2005, p. 63). Therefore, in the use of the *rapport*, it provides information on both the individual's belief and values system and the way in which that individual use it according to a specific behavior. also, through the use of this technique, individual behavior changes depending on *the beliefs* and *values* used in the *rapport*. The higher number of behaviors wherefrom one can choose, the easier it is to find common points between those individuals and to make the *rapport* between them easier. as a result of a poor *rapport*, the communication process remains unoptimized and does not lead to the expected results (Iosif, 2013, p. 72). On the one hand, the use of *rapport* at the level of each individual determines the optimization of behavior according to certain factors from the internal environment, and on the other hand, the use of this in the relationships between people leads to an increase in *motivation* depending on the factors that determine the dynamics of the organizational environment, as well as on the behaviors used.

The use of *rapport* can be considered a productive action for the individuals involved in this technique because it leads to the achievement of the objectives established, especially by using the same technique by the persons involved in the *rapport*. Through the use of *rapport* at individual level, personal resistances that can block the communication process and the process of transmitting non-verbal information are overcome. The more flexible the behavior and thinking of a person, the easier will be to build the *rapport* and that will lead to a faster and easier understanding of others (Iosif, 2013, p. 72), which is achieved by learning the common elements of those involved in the communication process or in the exchange of information. The use of this technique offers the possibility of correlating the behaviors of the persons involved, organizational development and employee *motivation*.

7. Conclusions

NLP specific techniques meet the managers, leaders and consultants halfway so that they can better understand the way in which employee qualities and methods of motivation, of boosting morale will be capitalized for engaging people in achieving goals. Most of the NLP advanced applications used in the business field usually refer to advanced linguistic models and superior observation tools that have the potential to explore deeper into the human subconscious, contributing to the programming process by creating new convictions and beliefs which will subsequently harmonize the individual with the internal environment of the organization. all these applications provide numerous means to cope with nonsense and real problems of current management, without which it would be very difficult, if not impossible to exist a management capable of ensuring an efficient conduct of activities and an optimal level of professional satisfaction.

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NLP Methods of Motivation: Metaphor and Metamodel

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Abstract

The transition to the 21st century has also meant a change in the behavior of both employees and employers. The behavior of the employees is determined by a variety of reasons which are perceived by each individual as purposes. The task of a good manager, of a good leader, is to identify and activate employees' reasons and guide them towards productive work. If in the past employees worked and proved their loyalty to the employer, their career following a sure and somewhat predictable path, at the end of the 20th century motivation started to be considered crucial in the success seen not only at the organizational level, but also at the level of each department or project. The role of motivation is not only to make people work, but to make them work well, which involves the use of the whole physical and intellectual resources they have.

Key words: metaphor, metamodel, methods, model, NLP

J.E.L. classification: O15

1. Introduction

Neuro-linguistic programming (international acronym: NLP) has a philosophical foundation that has given rise to a wide range of practical developmental methods by *programming* thinking and language in order to achieve the desired results, being a useful tool for achieving performance in any field and not a mysteriously developed discipline, emerging from nothingness with an obscure origin. From the same point of view, NLP is a communication model focused on the identification and use of *patterns* in the processes of thinking that influence verbal and non-verbal behavior to improve the ability to communicate. Useful through their content, NLP methods provide precise tools applicable to managerial theory and practice.

2. Theoretical background

NLP methods can help the manager and the leader to achieve more easily specific objectives. Therefore, to solve various problems in the organization, certain employees or team can be influenced in order to achieve certain objectives, with the aid of action triggers: "decide!", "be careful!", "participate!". The message is received and executed if active diathesis is used and the command is formulated concisely. By building the result, when choosing an action trigger, its action is projected - mentally - on the individual, thus optimizing both the triggering factor and the results.

3. Metaphor

In the book "Encyclopedia of systemic NLP and NLP new coding", published in 2000, Dilts, R.B., and DeLozier, J., defines *metaphor* as "the transfer of the relationship between a set of objects and another one, in order to obtain some explanations". Also, *metaphor* is "the figure of speech in which one thing is spoken of as though it were something else" (Dilts, 2008, p. 226). *Metaphors* are memorable and can contain both emotions and lessons. Humor is ideal for the

metaphor. a great metaphor leads the audience through several emotional states, from humor to grief (Molden, 2007, p. 152).

Metaphor is "the process of thinking about one situation or phenomenon as something else" (Dilts, 2014, p. 264), involving the following main components:

- Isomorphism term used by some linguists to name the structure comparison between syllables, words and sentences; it takes into account the similarities of different representations. Isomorphisms have a structure similar to the one of comparisons, using words such as "I like (I don't like)", "or/or", "(the same) as". Isomorphic metaphor presents analogies with their narration as eloquently and realistic as possible.
- Symbolism takes into account the structural aspects of the metaphor. Thus, the symbol may be defined as "an object, a character covering certain behaviors, answers, but generating anchors for others, as he/she/it is part of the inner reality of the concerned persons" (Iosif, 2013, p. 53).

The metaphor is the element used in outlining individual realities. When an individual uses a metaphor, he/she gives it his/her own interpretation. The main advantage of a metaphor consists of the fact that it can easily overcome the barriers of consciousness, reaching the subconscious level where a useful solution is much easier found for arising problems, solution based on knowledge, skills and experiences belonging to that individual. The subconscious gives certain significance to each thing in the inner or outer environment, but metaphor manages to overcome this obstacle. "an attribute specific to metaphors is that they facilitate communication. When metaphor is applied on the profound structures of experience, what was transferred or brought by the metaphor are relations, the place of attention, values, beliefs, assumptions." (Iosif, 2013, p. 53).

Metaphors can be: words, expressions, stories. They are based on the idea of comparison, and with its help they try to make information as accessible as possible (O'Connor, 2001, p. 95) and are used for decoding reality by any individual, and are classified into two categories, respectively: surface (associated with isomorphisms) and profound (they have a structure similar to relations, processes, forms, being much more abstract). Through applied directing language models, metaphors generate certain differences on language level, with the help of linguistic markers certain old perceptions being able to generate new ones with the role of redirecting main senses. "The advantages of using metaphors are: they address the unconscious and suggest solutions for solving a certain problem". In this way, they help individuals identify the defects on behavioral level, they improve elements necessary for the reframing process, they reduce the individual's resistance in the communication process. By using metaphors, behaviors become more flexible, and thusly optimize the communication process (Iosif, 2013, p. 55).

4. Metamodel

The *metamodel* is defined as "a model with a number of linguistic distinctions that identifies language patterns that obscure meaning in a communication through distortion, deletion and generalization. It also includes specific challenges or questions by which the «ill-formed» language is reconnected to sensory experience and the deep structure..." (Dilts, 2014, p. 264).

The *metamodel* is the first and most important model developed within NLP, being a set of linguistic models that reconstitutes the connection between *deletion*, *deformation*, *generalization* processes and the experience that gave birth to them. This model uses language to highlight and overcome its limits and starts from analyzing the type of questions Perls, F.S., and Satir, V., used in psychotherapeutic work, as well as some of the ideas emitted by Korzybski, A.H.S., and contains two components (Andreas and Faulkner, 2008, p. 189):

- a theoretical vision on language;
- a series of questions meant to lead to the elimination of informational generalization, distorsions and shortcomings.

Bandler, R.W., and Grinder, J.T., combined them with the researches of Chomsky, N. A., about *transformational grammar* and they published the results in 1975, in the book "The Structure of Magic. Volume I". *The NLP metamodel* represents the exposure of derivation of logic expressions and not the expressions themselves. This model works on the conditions that words manage to create an *anchor* on the level of an individual through an experience or a sensorial representation.

The anchoring is the process through which a stimulus or a representation (inner or outer) is associated with certain external triggers provoking a certain answer, which may be fast, or hidden, revisited. The NLP concept regarding anchors derives from the Pavlovian stimulus \rightarrow reaction relation, which is a classic conditioning example.

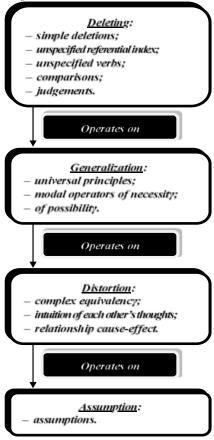
Due to the fact that in Greek *meta* means *with, after* or *near*, the *metamodel* reconnects the experience with the language, imposing itself as linguistic model about language, clarifying it through itself with the purpose of allowing a better understanding of the interlocutor and a better expression. We communicate with the help of words, resorting to deletion, deformation and generalization, principles we apply to the profound structure of our experience, in order to bring it to the stage of verbally expressed *surface structure* (O'Connor, 2012, p. 214). Therefore, the *metamodel* represents the linguistic differences through which one can identify language patterns that *distort, delete* or *generalize* significance in the communication process, allowing *the partial generalization* of the information that the individual takes from the organization.

In order to fully understand the *meta model* we must first analyze the way thoughts are transposed into words, the language not being able to keep pace – in any circumstances – with the speed of thought, with its variety and sensitivity, only being an approximation of it. The person has an idea, a full vision of what he/she wants to say, called *profound structure*. This structure is unconscious, the language being hidden on a very deep level of the human brain. In order to express himself / herself, the human being "shortcircuits" the profound structure, what he/she pronounces being called surface structure. Both structures are necessary in different contexts. Questions regarding meta model produce a "reverse engineering" on the language, in the sense that it works with the surface structure for a better observation of the profound one behind it. In the transition from the profound structure to surface structure, the subconscious activates the following operational categories (Figure no. 1):

- Deletion of a part of the information available in the profound structure, which limits thinking and acting. This category materializes in the following specific patterns: simple deletions, unspecified referential index, unspecific verbs, comparisons and judgments.
- Generalization, by assigning an universal value, based on a limited personal experience, to all conditions and exceptions that would make a discussion boring or contradictory, which reduces the range of possibilities. In this category the following specific patterns materialize: universal principles, modal operators of necessity and possibility.
- Distortion. A simplified vision of the information, which limits the interpretation options, modifies the meaning and leads to other useless problems. This category materalizes in the following specific patterns: complex equivalents, sensing the other person's thoughts and the cause-effect relation.
 - The three factors have a similar action: they take the *generalized* information or distort it in relation to a certain specific factor, a causal relationship, using a relationship between a linguistic structure and a certain environmental process etc. This means that in the end the concerned person interpreted in his/her own way the information received from the environment (Iosif, 2013, p. 46).
- Assumption. Ideas or assumptions considered as being good or true in order to make sense of the communication. In this category one single specific pattern materializes: assumptions.

It has the role of identifying missing information and replacing them so that, in the end, a certain result is produced. at the same time, *assumptions* have the role of determining, in the *cause-effect* relationship, the *complex equivalency* and *generalization*. The use of *assumption* can materialize in several directions, respectively: the type of searched information, the minimum quantity of information for the respective individual, the feelings transmitted by the respective information, in relation to what objective has the concerned individual placed.

Figure no. 1. Operational levels of NLP metamodel



Source: adaptation after Hall, L.M., 2007, p. 125.

Although the *metamodel* uses *deletions* and *generalization*, it has a fairly high degree of precision, as it uses the questions "who?", "what?", "how?" and "in what way?"; however, these are not used in case there is a lot of information, this leading in the end to the decrease of utility – overall – of NLP *meta model*. In order to achieve the *meta model* it is necessary to take the following steps: *sorting different states* (achieved for *re-anchoring* different aspects of the information received from the organization), *accessing different states* (in order for certain *anchors* to be *revisited* and optimized) and *creating a meta part* (for the purpose of mutual conditioning between several pieces of information and assimilating an *anchor* new to them). Operations specific to *meta model* (Iosif, 2013, p. 49-53):

- Deletion represents the elimination of that information deemed redundant or which cannot pass the VAK sensory filter (associated-dissociated method in each sensory representation system). Certain constructions such as "I am happy!", "I am uneasy!", "I am confused!" or "I am scared!" insure the recovery of certain previously deleted information.
- Comparisons "the best" and "the least good..." represent another form of deletion of information. "The best..." or "the worst...", "better than..." or "worst than...", "in comparison to..." and such other *comparisons* are nothing but a form of *deletion*.
- Unspecific indexed references are linguistic constructions such as "which", "what", "these", "people" that have the feature of being able to *delete* information from sentences, but maintaining their sense.
- Substantivizations insure the transformation of an action, usually a verb, into a noun, as static entity or object. Substantivizations refer to changing a process in the deep structure into a static event and they have the role of connecting with a certain part of the experience.

- *Unspecific verbs* are, generally, sensory constructions that, at the moment of realizing a process, activate the senses, respectively *sensory acuity*. "To believe", "to know", "to feel", "to touch", generally the sensory verbs, are considered *unspecific verbs*. These *verbs* have the feature to make oneself change their mind in a certain process, but also to realize their senses.
- Modal operators are of possibilities and of necessities. aggressive persons tend to use modal operators of possibilities. In this category, a single specific pattern materializes: "I can do everything!". Modal operators of necessities of a passive person show how he/she targets the fulfilment of own modalities, necessities, possibilities; we use the predicates "can...", "is possbile...", "is impossible...", "should...", "should necessarily..." to motivate ourselves. Modal operators of necessities are: "must...", "is necessary...". Modal operators refer to how an individual builds his/her own representations in the outside world and define the borders of our map and our own style of intervening there.
- assumption refers only to a moment when the action will take place. This is a linguistic fundament, so that a certain statement makes sense. Assumptions in a communication process work indirectly and unconsciously and must be accepted in order to give meaning to the communication. They are a form of influence. Used efficiently, they can help achieve results in a short period of time. The value of knowing these patterns consists of the fact that the individual becomes aware of the optimum processes that work within them.
- Cause-effect relation connects the two elements and can be implicit, as well as explicit. The two experiences are based on a verbal description. The use of this relation in the communication process helps the weaker person to assume his/her own feelings, states and experiences, thusly facilitating the adoption of an active attitude, by taking into consideration as many possibilities as possible.
- Complex equivalency assumes the finding of the breaching word and reinserting it into another phrase, without changing its meaning. "The complex equivalency represents a pattern with a particular structure, by means of which a person's behavior can be identified based on verbal and non-verbal signals" (Dilts, 2008, p. 117). All signals (verbal and non-verbal language) issued by an individual in a certain period of time, plus the complex equivalency pattern will lead in the end to obtaining customized information about that individual by the manager and leader. This information is generally distorted by the own feelings as well as by the state of mind at that moment of the respective person. Building a complex equivalency is based on certain words such as: "is...", "this means...", "is equivalent to...". In the case of a complex equivalency we create, on mental level, a relationship between one or more words and the experience designated by those words, for each learned word having a different inner experience.
- Universal quantifiers "allow the achievement of generalizations in the communication process, but at the same time they allow their increasing complexity" (Bandler, 1993, p. 97). The universal quantifiers "always", "everything", "each", "never" represent a form of deleting information. Universal quantifiers have the role of abstracting the information received, therefore the generalizations are very hard to achieve.
- The importance of sensory experience orientation of eyes, tone, mimicry, gestures can give the manager and leader enough information to make a decision or they can be used in the case of a too little communicative individual.
- Exterior behavior includes actions and/or events we perceive from the exterior environment. The significance (inner state) represents the interpretation we give to a certain event or a certain action in the exterior environment. The static image of an exterior behavior means its transformation in semantic construction that action materializes in, leading, in the end, to substantivization. The substantivization represents the transformation of a static image into words identifying that action, therefore achieving a cause-effect relation.

- Mind reading is a model correlated with assumptions. The use of mind reading assumes the existence of a cause-effect relation between two persons, but also of this instrument's effect on the targeted person. In this process, many things can be found about the inner experience of that person. The person trying to achieve this process involuntarily projects his/her own perceptions, values, experiences. Mind reading appears when an individual speaks or acts as if he/she knows the inner experiences of the other person.
- *Judgments* in its assessment we must take into consideration the categories used by the person who made the *judgment*. Thus, the questions "who?", "what?", "when?", "where?" can be used to successfully recover the desired information.

The metamodel leads to explaining contexts in which a person manifests himself / herself (Lewis and Pucelick, 1990, p. 56), being an efficient instrument not only for gathering informaton, but also for clarifying their senses and significances. In a purely physical sense, this model becomes a "system of principles, rules and means of knowledge and transformation of reality" (Zait and Spalanzani, 2006, p. 137). The NLP suppositions are associated with assumptions imprinted on the structure of an affirmation or subconscious beliefs, actions or convictions, being necessary in order to give sense to them and whose purpose is to allow the person inner development and perception of opportunities and advantages in new, different situations. "Knowing what the meta model means and how to react to them, the meta model can lead to an easier understanding of a person's profound structure" (Hall, 2007, p. 167).

5. Conclusions

In conclusion, NLP represents a set of methods and exercises that create a model of excellence. Its application can lead to a fundamental change in the quality of life and to the achievement of spectacular results. The methods used are very different: from changing thoughts, actions and feelings to tenacity, motivation, receptivity, to the needs and wishes of others. By practicing NLP we can take responsibility for our own motivation, a fascinating future and a personal way to achieve it. also, we build stronger relationships and persuasion capacity, neutralize negative experiences from the past, enhance self-appreciation and self-esteem, a positive, strong mental attitude and access to a great experience. (Andreas and Faulkner, 2008, p. 392).

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Correlation Between Educational Marketing and Principles Quality Management Associated with Education

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Abstract

In the current environment of increased competitiveness and marketing development, educational institutions need an innovative approach to providing genuine services that increase the organization's visibility on the market. Educational marketing, as a responsible and profitable management structure, means gaining confidence among the direct or indirect beneficiaries of education, hence resulting in quality assurance.

Analyzing marketing as a fundamental element of strategic management, this study aims to establish a connection between theory and practice, using a number of methodological activities such as literature, identifying pedagogical issues, analyzing the difficulties faced by educational management, formulating ideas and generating conclusions.

At the same time, the result of this research is a conceptual model of "Perpetual Educational Marketing" for shaping a marketing strategy adapted to the principles of quality management and new requirements in the field of education with social impact on the consolidation of a collaborative organizational culture.

Key words: Quality management, interdependence, reliability, adaptation, "perpetual educational marketing"

J.E.L. classification: I2, J5, M5

1. Introduction

Current, public and private education institutions, organized on the basis of marketing principles, are responsible for solving the acute problem of the company's work-based training, which means meeting the concrete and real needs. In a competitive environment, in the context of marketing development and in the educational environment, the lack of marketing association to quality management in education could make it more difficult to achieve the organization's strategic goals and mission, difficulties in finding new human and financial resources.

Over the years, Management development has come to meet these concerns by formulating clear strategic objectives, setting the conditions for achieving and achieving performance, prioritizing resources, taking decisions, delegating authority, investing the manager as a protagonist of the organization, focusing on the results obtained and their rigorous analysis.

From the point of view of Ioan Jinga, educational marketing can associate three meanings: the "science" - existing in the concepts, values and complex processes that take place in the leadership of organizations, that of "art" - reflected in the manager's talent to apply a sustainable and authentic quality management in the educational system, starting from the rhetoric and reality of education as well as the "specific state of mind" found in a certain perspective of seeing, seeking, seeking and especially of accept the change.

The interest in managing educational change, with marketing strategies and tactics, is present in this study. It has been found that the reality of education at national level shows a number of gaps in international education systems. Thus the study proves the need to develop a sustainable, feasible and current quality management structure. Emphasis has been placed on research on quality assurance as a quality management structure for the education system, which means gaining confidence among direct or indirect beneficiaries of education and creation plus value.

The need for quality assurance originally emerged in the economic field, with the manufacturer being interested in the quality of the products offered and the satisfaction of the consumer's needs in order to obtain profit. The new organizational systems specific to society and economy based on knowledge and learning, corresponding to the 20th-21st centuries, in the context of globalization, have led to changes in the school organization as well.

2. Theoretical background

Many authors believe that management science is in a process of modernization and improvement, given the multitude of definitions offered by the literature, starting with the set of concepts and strategies that ensure the optimal use of the human, material and financial factor within an organization, and reaching processes, management relationships and the environment.

A most complex, meaningful and meaningful definition of management is the science that studies both the processes that have top marketing policy and the relationships within organizations and the environment in which they operate in order to discover the principles that govern them, and creating methods, techniques and leadership ways to increase efficiency.

- Changes in society as well as new social trends have a strong impact on Romanian education, which tends to align with international requirements, both theoretically and practically, by adapting development strategies at national level and by adopting organizational quality standards, through appropriate performance indicators.
- International professional organizations, including UNESCO, have identified three important moments in educational reforms that have produced changes in the quality management paradigm since 2000, namely:
- The 1970s reform of governmental initiatives has pursued the internal quality of education and improving the performance of school organizations by enhancing the informal education and training process, and no marketing policy is needed in the absence of alternatives.
- The 90's reform added to the previous one the refinement of educational structures and practices from the perspective of the relationship between education and society, public expectations and exigencies towards educational organizations. Quality in formal education implies the development of a personal, academic and global perspective through the formation of competencies that enable the social integration of young people, the strategies used being integrative, active-participative, value-centered (Şoitu et all, 2006, p.25). This has made it necessary to increase the visibility of the organization by promoting it in order to maintain the number of beneficiaries and attract other clients, taking into account the educational alternatives that arise with the expansion of private education and increased competition.
- The reform of the 21st century has crystallized the management of education based on a new paradigm of the curriculum, the continuing education of teachers, a new concept of the quality of education, which is meant to meet the future needs of the individual and the community in was globalization and computerization, with a strong emphasis on non-formal education and the training of young people as proactive European citizens (Şoitu et all, 2006, p.13). This requires strategic planning, improvement and implementation of the marketing process in the educational field in order to be able to keep up with the changes of society, to meet the needs of the different and multiple beneficiaries by anticipating and gaining consumer confidence, influencing it so selecting and choosing the right offer.

3. Methodology

The research, through the analysis of the literature and the comparisons carried out in various fields, has shown that the school's theory as an organization is inspired by the corporate sector and adapted to other economic domains. Starting from the economic function of education, which implies the training and professional training of the involved human resources, according to the economic, scientific and cultural guidelines and provisions, this way the social integration and social adaptation of the subjects involved is ensured. It has been observed that the educational reforms of the last decades have aimed to change the way of working in the school through the participation and involvement of teachers in the decision-making process, the design of school time

according to the scheduling methodology, the introduction of interdisciplinary, transdisciplinary and cross-curricular programs (Ciolan, 2008, p. 87).

By making a connection between theory and practice, it is noted that the theoretical aspects of the concept of educational management encounter in practice a series of methodological difficulties arising from the emergence of the concept in the field of economics. It can be said that the specificity of education makes it difficult to translate as accurately as possible in education. Also, for the comparisons, the American model has been used and it has been shown that it does not exactly conform to the European context, making it very difficult to adapt, and the pedagogical practice of leadership is insufficient, hence the need to adapt concepts in other fields. Last but not least, issues such as bureaucracy have been addressed, and it has been recognized that insufficient communication or lack of efficiency makes it difficult to translate management science as accurately as possible.

The increasing preoccupations of the last decades to outline the relationship between pedagogy and management science show the interdependence between them, but also the differences that arise from specific reporting to the ends of education, to the human resources involved, to the specific educational strategies. In this respect, the main findings indicate that the science of leadership includes elements and concepts of pedagogy: initial assessment and continuous training, improvement of the methodology. Conversely, the concepts of management pedagogy are as follows: providing, planning, organizing, controlling, coordinating, guiding, making decisions and analyzing them.

Through a series of methodological activities of study, direct observation and comparisons, the author proposed to observe how this relationship between pedagogy and management science increases the essence of education, what techniques and methods are useful to the teacher as manager for the development of a management structure of quality. It has come to the conclusion that all these are related to educational marketing. If economic marketing considers economic efficiency, by studying and meeting market requirements, with all specific activities, including promotion, advertising to maximize sales and profit, by analogy with this field, then educational marketing refers to the educational offer. The educational programs offered start from the study of needs and wishes with a motivational and emotional substrate in order to develop educational projects and services aimed at developing education and increasing the motivation for learning as well as improving the teacher's managerial work.

The research methodology focused on developing a conceptual model of "Perpetual Educational Marketing", adapted to the eight principles of quality management, making a correlation between the latter and educational marketing.

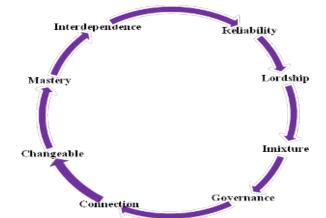


Figure no. 1. "Perpetual EducationalMarketing"

Source: (The author's own concept based on ISO 9001Principles of Quality Management)

At the level of the organization, especially at the micro-pedagogical level, the elaboration of the marketing strategy starts from the careful analysis of the internal and external factors, which means identifying the needs of training, information, education through school and extra-curricular programs. These are done through formal, informal and non-formal education activities, the latter gaining ground among educational organizations that want to be among the preferences of educational service recipients. An effective strategy takes into account the initial expectations assessment by analyzing the current lifelong learning requirements through critical and constructive knowledge and appreciation of a theoretical and practical pedagogical base that is both tough and resilient.

The expectations and needs of direct and indirect beneficiaries are correlated with the content of the curriculum. If the curricular offer is below expectations, then the organization, by promoting a strategic management as a quality management process, defines the possibilities of adapting the curricular offer to the concrete needs by developing optional programs and implementing educational projects that meet a diversified palette on the demand for training and personal development of those involved. Ideally, the offer would be larger than demand, have something new, which means that the organization has earned the trust of the beneficiaries or possible customers.

The second stage involves the presentation of the strategy with the intentions of realization, the formulation of the objectives according to the expectations, the consideration of the difficulties that can occur along the way, subject to the attention of the students and the parents in order to find and validate the ways of solving the reasons for keeping the performance criteria. The manager is considering at the stage after accepting the offer by the beneficiary, providing human resources, material, didactic, informational. Very important are the relationships established in the implementation of the marketing strategy, for efficient communication, respecting the authority, ways of development, alternative programs, possibilities of professional integration.

After presenting and discussing the offer of "educational services", it is promoted through a range of means such as school and extra-curricular activities, educational projects and others, which increase the visibility and publicity of the strategy at the community level. Continuous improvement and continuous evaluation of service offerings through thorough planning of adaptation to concrete conditions through activation, differentiated treatment and specific approach.

The strategy depends on "the art of the manager" to "present the offer" and "sell and value the services" as well as the "freedom" of choice and the interest for certain "educational products" and tends to constantly improve them. Given that the school is an organization providing educational services, the product offered is the formation and development of skills, skills and abilities specific to age and levels of learning, skills development, requirements that meet demand in national organizations but which complies with international standards.

By correlating the principles of quality management with educational marketing, the author has found new concepts of conceptual approach to this.

Table no. 1 New trends of conceptual approach

Steps Perpetual Educational Marketing	Principles of quality management according to ISO 9001	New trends
Reliability	Customer orientation	Understanding, safe, trust, authenticity, rezistance, innovating, novelty, solidity, unic, original
Lordship	Leadership	Encouragement, cheer, assistance, support, contest, cooperation, lord quality
Immixture	Staff involvement	Jointing, mixt, emphaty, motivation, harmony, participating, action,
Governance	The procedural approach	Stability, responsibility, reference, policy, critical thinking, government, risk-taker, value, strategy, alliance
Connection	Systemic approach	Link-up, relevancy, tehnology, network, benefit, adaptability, progress, dynamic, gathering

Changeable	Continuous improvement	Changeableness, mutation, creativity,	
		conversion, transformation, fluctuation,	
		mutability	
Mastery	Understand all data	Pertinence, artistry, art, powerfull,	
		authority, relevance, accomplishment	
Interdependence	Mutually beneficial relationship	Conjunction, contact, connection,	
		league, confederacy, agnation	

Source: (The author's own concept adapted to ISO 9001Principles of Quality Management)

4. Findings

By analyzing educational management as an art, it is necessary to strengthen a collaborative organizational culture in which the "human resource quality" is at the center of attention, focused on finding team solutions, rationalizing and humanizing decisions.

School organizations need a management that is based on effective communication, participatory planning, promotes self-evaluation, feedback and feedforword, valorizes competencies and offers opportunities for continuous development, promotes partnerships with the community.

Research in the field has shown how important the strategies are used to achieve the desired outcomes, the real and effective involvement of human resources, the fulfillment of the criteria for educational success. It can be said that art is the harmonization of theory with practice through the formation of managers, the establishment of guidelines for educational management, the elaboration of specific managerial projects, the organizational development using the values of the educational system. Management can be a way of approach, attitude, status, mentality, culture. Pedagogical management implies a melange of management concepts in other areas, taking into account equally or complementary percentages between elements of novelty but adapted to old practices, between authority and freedom, between control and responsibility, between rules, rules and climate open, flexible, stimulating and cooperative.

Both pedagogy and management have social implications as important parts of public and social culture. At this level, educational marketing is an important part of the strategic management structure of the organization, in a broad sense, and of the teacher in a narrow sense, and at the psychosocial level is the conscious motivation and learning of the direct beneficiaries of education as well as the satisfaction of the indirect beneficiaries (Joita, 2001, p. 584).

The teacher as a manager needs detailed information about the expectations of the service providers offered, to participate in the organization in the development of marketing strategies in educational management, both at the institution level, especially at the level of class, discipline or course offered (Joita, 2001, p. 531).

Among the educational marketing strategies offered by the literature, as well as the experience as a teacher in an international school, the author reminds us of the rigorous analysis of the current society's requirements for the development of the personality of the beneficiaries under the influence of computerization and globalization, careful selection of resources, alternative programs to meet the highest possible range of them, optimal relationships, follow-up of educational packages offered by other institutions, analysis of the trends in the statistics provided at local, national and international level. It is very important to evaluate the achieved results and progress, to engage in strategic partnerships and adaptation to the social, economic and cultural environment of the respective community (Ţoca, 2007, p.138).

5. Conclusions

Educational practice has always had managerial aspects, but under a different approach, and not in a generalized fashion, in a conceptual unit, oriented towards achieving optimal performance by clearly establishing the directions and principles. A marketing policy works best by permanently observing the dynamics and market structure, by its malleability and ability to adapt to its changes and fluctuations, meeting the market's demands through loyal competition.

Effective practices have shown that if until recently the manager's investment as a protagonist of the organization was very important, the need to diminish this role is now felt, focusing on cooperation, involvement, creativity and activation of all the human resources involved, and focusing on the results obtained and has changed its direction to motivating and streamlining human resource efforts.

It is absolutely necessary for human resources to be preoccupied with change and capable of adapting, creativity and multiple professional skills. If in the traditional conception these resources were considered as a source of costs that was required to be minimized, within the current organizations, human resources management is considered a priority, which needs optimization, given the management at the macropedagogical level, the educational organization, especially the micro pedagogy, namely the teacher regarded as an educational manager.

Starting from two decades of pedagogical practice, through a comparison of private and public education in Romania, as well as studying the literature at national and international level, the author observed that a particularly important role of successful management, in order to achieve the objectives of the organization, the teacher holds it as a manager, an integral part of a marketing structure. Private marketing organizations in Romania have their own marketing department, which is lacking in the public sector, coupled with subjectivism and minimal concerns in this respect, lack of provisions in education reforms, poor adaptation to the needs of today's society and minimization of anticipations of the requirements of the society that will come. Montessori said she did not teach young people to the present world. "This world will not exist anymore and nothing allows us to know how their world will be. Then, to teach them to adapt. "At this microeducational level educational management presupposes the efficient use of didactic, informational, human, financial, material, temporal resources in order to achieve the educational ideal and create plus value.

As a further development, it is desirable to conduct a causal study of student orientation towards certain programs, as well as the lack of interest for others, of behavioral analysis in various formal and non-formal activities.

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Leadership in Organisations – Influences of Philosophical Practices and Social Responsibility

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Abstract

The paper aims to discuss how to improve the skills of a manager for the benefit of an organization and for society through its responsibility towards their members. The role of philosophical practice in the business environment, especially economic organizations that may be interested in improving performance leadership teams, where they can also call upon philosophical consultancy as a tool made available by new specialists trained in this field. An important role for leaders is social responsibility for increasing the reputation of the organization they represent. For the leaders, the philosophical counseling can be a solution for their organizations and society.

Key words: leadership, management, organization, philosophical practice, social responsibility **J.E.L. classification:** M10, M14

1. Introduction

The contemporary epoque, from the point of view of a manager or leader of an organization is the epoque when the results expressed in figures are more important than asking questions and seeking answers; where discourse is preferred to dialogue, or where the need for security replaces business confidence, which leads us to reflect on the need to revigorate leadership with the help of other tools now taken from philosophy and presented by well-trained specialists in philosophical consultancy for managers and teams their. The leader, called manager or general manager is the person at the top of an organization, and who must come up with solutions to any situation or problem that the company faces, which usually arise from the business environment in which the organization is acting or can be generated by some case from the inside. The need for a company strategy derives from the culture of the organization and responds to the economic environment through the company's activity, respecting the environmental norms in which it is located, generating trust and recognition as a socially responsible organization.

We will present in the paper some elements of philosophical practice that can be accessed by organizations in the form of philosophical consultancy, and that will highlight the role that philosophy can play when they are applied into the business environment. We will refer to a new counseling service, different from the already established forms, such as business consultancy or coaching; where philosophical consultancy is the one that can be addressed to managers and their teams, management councils, entrepreneurs and groups of workers from the organization, depending on the goal pursued by the practitioner.

2. Theoretical background: Leadership and philosophical counsultancy

About this new field, we have referred in to our recent research (Hategan, 2018) on the role of philosophical practice in the business environment, especially economic organizations that may be interested in improving performance leadership teams, where they can also call upon philosophical consultancy as a tool made available by new specialists trained in this field.

From the historiography of the emergence of new specializations among the practitioners of philosophy, is the philosophical consultant for the business environment, where we find a renowned American practitioner, Peter Koestenbaum (2002), also called *the corporate philosopher* who can be considered a pioneer of philosophy for leaders, this being the author of a volume on this subject, with a suggestive subtitle: *A philosophy for leaders*.

Trying to define the role of a leader in public organizations or institutions, Marino (2008) explores from the point of view of a philosopher practitioner, outlining his profile, emphasizing some virtues such as personality, authority, persuasion, perspective, realism or idealism, experience or competence, anticipation, boldness, memorization, sensitivity, and wisdom; all of which are characteristics of a manager. These can be developed with the help of tools and practices specific to philosophy, which can be successfully applied within organizations, now with the help of a specialized practitioner's in philosophical consultancy.

Andrea Vitullo (2007), an experienced Italian financial services manager, introduces the concept of reflexive leadership to show how organizations can become a new agora, like the ancient times, where "organizations, companies, people and work seem to be in great need. "To highlight the role of the manager in the organization, the Italian specialist starts from the assertion that "management is philosophy in action" and emphasizes the help that philosophical dialogue and philosophy generally offer to a leader, in order to regain the long-lost individual and collective sense, it approaches the practical wisdom manifested by *phronesis*.

In the same sense of helping the manager, who also has now the philosophy tools to improve the life inside a company, the French philosopher Eugenie Vegleris leaves the academic area in which he activates and moves to philosophical practice, publishing in 2006 the book *Manager avec le philo*, that starts with a letter addressed to him a generic manager. The French practitioner identifies some features that can be acquired by a manager when he interferes with the applied philosophy, now with helping of a philosophy specialist who ventures to enter his organization.

We summarize briefly some of the advice that he addresses in his book to a manager, namely:

- to lead the company with simplicity by speaking in a common language, expressing ones own thoughts, laughing or saying simple 'I do not know';
- be amazed to progress, as Socrates did in antiquity; to define to clarify concepts or ideas, using the experience of Plato and Socrates, at Spinoza and Bergson;
- Dialogue to build, as Socrates did, considered to be the father of the philosophical dialogue, until find the existential dialogue and communication of Karl Jasper;
- to make a foundation to resist over time, identifying the foundations of the company and the common principles needed to build a solid foundation for the business, taking on the concept of antiquity used by the presocratic philosophies and later by Descartes, Jean-Paul Sartre and Hannah Arendt:
 - to be creative, inspired by the life's thinkers, as Montigne and Bergson;
- to exist and to be able to work in a world of appearances, as presented in the discourse of the antique philosophers, who mastered the art of appearances until Plato's reaction, and continuing with the phenomenological approach of Husserl.

We observe all of these outlined features for a manager, the importance that philosophy can have in developing managerial skills, through the practice of asking questions, by addressing dialogue as a preferred communication tool, and by developing creativity in a standard-specific area, fact for which the conclusion is in line with the author's approach, which emphasizes at the end of the paper that: "Working in this way, today's manager creates the world of tomorrow!"

About Contesini's (2009) work on the need for an exercise to ask questions in an organization, in his book on philosophical sensitivity that can be developed by a leader, who can be supported by counseling, coaching or mentoring, like a form of individual of development or for the team. She

is also indicating the need to develop a code of ethics, which will influence the building of a good reputation of the organization.

One of the Danish corporations advisors, Professor Morten Paustian (2015) presents the concept of being a "leadership development" that to show the effectiveness of a leader's action, he tells us how he needs the following defining features: the emancipation capacity, the manifestation empathy, the ability to imagine and the power of transformation; and which lead to these conclusion: "The essence of leadership is therefore to facilitate and improve the creative forces of life by developing skills of innovative thinking and clarity in practice. Those skills subsume the ability to act efficiently in terms of developing people in your professional and / or private nexus".

In the same field of philosophical practice within organizations, we identify another concept that illustrates the needs of a company, namely "organizational thinking," expressed by two Italian practitioners, Cervari and Pollastri (2010) whose fundamental elements are: complexity, instability or change, and competition. To highlight the importance of philosophical practice within the company, the two practitioners detail the areas in which they can act, namely: the identity of the person, group, community or organization; ethics and social responsibility; communication and democracy; power through change; innovation through creativity; the field of managerial training by learning new methods of thinking; the field of knowledge in order to develop human capital.

The book of the two practitioners shows what challenges for future management are, as identified by a 2009 study by an expert group from prestigious universities, presented at a conference in Milan, which we present now schematically: creating a management system capable of serving high goals; including the community ideas in this system; reconsidering its philosophical bases; increasing confidence and eliminating fears; reconsidering control tools and redefining leadership; promotion of diversity, formulation of a clear direction and development strategy; eliminating past influences and setting new time horizons; manager perspective, optimization of the information circuit; discouraging conflicts; expanding the organization's autonomy; creating internal competitions for ideas, talents and resources; eliminating the political element in the decision-making process; making compromises; encouraging creativity and imagination; fostering community of interests and social responsibility; opening up markets and new business practices; reconsidering language and leadership of the organization.

Starting from an ancient philosophical premise, where the virtue is preferred to the vice, if we relate to the organizational or business environment, we can deduce that only virtuous organizations generate a better life. In this respect, the field of counseling can develop other forms by which instruments of philosophical practice are transferred, which are transferred to a new kind of philosophical counseling. The services offered to a company or organization can be diverse, starting from making a statement about the company's mission in its field of activity; continuing with the development of an internal code of ethics and its implementation within the firm in the sense of being known to all staff; organizing motivational or advisory programs at various levels within the organization; until settling or resolving conflicts within the organization. The mission usually involves the setting up of goals, which can be achieved if they are inspired by certain virtues, and specialized advice can help the management team make this statement to sustain a sustainable development of the organization.

Professor Lou Marinoff (2016) wrote about the importance of a specialist who can offer his services to the management team or to employees of the company, where: "The philosophical consultant helps organizations to be more virtuous. It is the highest possible call for a philosopher; and the greatest aspirations for an organization". Marinoff has introduced a new service for a company, a tool from a philosophical practice, namely the socratic short dialogue, thus adapting to business area, with specific time requirements where this type of application can be reduced from two days to several hours. Other types of services being: the motivational discourse, ethical compliance, dilemma training and its his method called generic PEACE (Marinoff, 2009), which takes place in five stages, each symbolizing a letter from its acronym: problem, emotion, analysis, contemplation and balance. Lou Marinoff is currently the president of The American Philosophical Practitioners Association -APPA, there and regularly organizes training programs for philosophical consultancy for organizations and companies.

3. Leadership and social responsibility

The virtues necessary to achieve the mission of an organization are likely to increase the performance, the competitiveness and the cooperation of its staff or the management team. When the mission statement of an organization is carried out, we consider it important to include elements of its policy in the field of social responsibility by anticipating some potential risks but also opportunities for framing the general and zonal conditions in which it operates.

We can talk about the concept of corporate governance, where the leadership team of the organization will have an overriding role, who is concerned with the achievement of Corporate Social Responsibility (CSR). CSR can be a framework of the organization's ethical code as a holistic and integrated way of thinking (Girolamo and D'Anselmi, 2017) that includes goals and strategies over longer terms, and their observance leads to the definition of the organization as being responsible for society, with the effect of increasing the reputation, with indirect implications in the market in which it operates, by obtaining additional facilities, from financing and human resources, to market access and other government facilities.

The importance of CSR reporting is writing by Italian economist Silvio De Girolamo (2017), which makes this link to the so-called "reputational capital", explains the reputation benefits when there is transparency of communication about the organization's social responsibility program, and which will have the effect of creating a better life for the entire community in which the company operates. The communication of CSR actions are made by sustainability reports, which can be mandatory or voluntary. The leaders need to be aware that voluntary reporting brings benefits on long terms and the application of ethical principles leads to sustainability of their organizations. The sustainability reports contain non-financial information about CSR activities, but the value of the investments in these activities is provided by the accounting information. Leadership styles determine how managers use accounting information (Hopwood 1974) and the styles changes with the accounting changes (Jansen, 2008).

Returning to corporative philosopher Koestenbaum (2003), he uses a leadership advisory model, generically called Leadership Diamond, which includes four lines of action: vision, ethics, courage and reality; all this leading the leader towards achieving excellence. For each of these proposed working directions, the American practitioner recommends a certain tactic, detailed in his book, translated into Romanian (Koestenbaum, 2006). When he refers to the ethics of a leader, it shows that "Rather than helping people evolve for the sake of service, it is wiser to develop jobs for the sake of the people" after which the practitioner relates to the organization's requirement to make a profit, with the fact that "profit comes when people find sense in their work".

The elements of the proposed tactics develop the leader's team on moral and loyalty principles to the organization in which they operate, having as a result the development of a group awareness of the social responsibility of both the organization and the people working in it. Koestenbaum correlates in his work with the concept of responsibility with other concepts, such as responsibility, efficiency and initiative; specifying that achieving excellence and achieving a new leadership consciousness requires the overcoming of resistances, meaning proposing a seminar for the management team that includes several stages considered as applications of its method. He ending hes book with numerous tips, suggestions and recommendations for all who work in the business environment and who want to achieve performance.

In this context, Fatic (2017) argues: "The primary mission and measure of corporate success today is the capacity of the company to influence society in ways that will enhance it economically, culturally, and morally. Profit and transactional efficiency are no longer the primary focus; they are, rather, the expected and logical effect of social engagement." In this sense, can be resumed that the corporate growth needed an external guidance and the humanistic corporate consultant can have here a good role to facilitate the development of leadership.

4. Conclusions

The purpose of the paper was to discuss how to improve the skills of a manager for the benefit of an organization and for society through its responsibility towards their members. We believe that for the leaders, the philosophical counseling can be a solution for their organizations and society.

Based on the presented models applied in other countries in 2016 in Romania was established *Asociația profesională a consilierilor filosofici și de etică*, that acts for recognition and regulatory these new occupations, for professionals become practitioners of philosophy and applied ethics, that can activate both the benefit of the person, as well as within companies, economic organizations and public institutions.

One of the future directions of this association is the implementation in Romania of a program of training of specialists in organizational consulting based on philosophical practice and specific instruments, so that the leaders of our country will realize the necessity to apply ethical principles in the functioning of the organizations and to be socially responsible.

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Green Marketing and Corporate Social Responsibility in the Romanian Banking Sector

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Abstract

This article intends to highlight the importance of green marketing and Corporate Social Responsibility (CSR) focusing particularly on Romanian banking sector. The benefits of CSR have been also presented.

Analyzing the main interest areas for CSR in the Romanian banking sector, we find that banks focuses on culture, education, sports and humanitarian and environmental protection. These activities offer a great opportunity to live up the corporate responsibility and promote business activities at the same time.

Key words: Corporate Social Responsibility (CSR), green marketing, banks

J.E.L. classification: M14, G21

1. Introduction

The global financial and economic crisis, with climatic and environmental changes, have all required new marketing practices and innovative approaches to create a better *green* future.

The concept of *green* means, in business, especially energy efficiency and low resource consumption. In all areas of economic activity – from agriculture, energy to FMCG or finance and banking – companies around the world are concerned with this type of approach, which they implement in their investment and development strategies. *Green* has started from ecology, but has now reached the economy. *Green* also means a sustainable approach to business strategy, but community support, as well. We can say that the element from which everything started - the concern for the environment - remains at the heart of this concept and is integrated into economic activities.

Banking sector plays an important role in the economic growth of a country. The Romanian commercial banks are generally adopting "green" activities for the environmental sustainability. *Green* marketing can be considered as a tool for sustainable development and for satisfying different stakeholders.

According to Scholtens (2009) "socially responsible banking is evolving as a well-established series of principles in the financial services market, as most banks offer financial products that consider sustainability issues, and have become more transparent in reporting their Corporate Social Responsibility (CSR) activities" (Lymperopoulos *et al*, 2012).

Several academic researchers tried in multiple forms to highlight the importance of corporate social responsibility in the business strategy of companies or organizations. Also, a number of studies have been conducted to explore the role of CSR. Some authors even consider that "initiatives of corporate social responsibility should be integrated and internalized by an organization so as to be placed in the heart of the organization to obtain benefits such as: improving corporate reputation, winning customer's trust, motivating employees or increasing market share" (Dey and Sircar, 2012).

However, businesses should be aware that the inclusion of social responsibility objectives in the strategy of the organization must be triggered not only by the desire to build a positive image, by operational efficiency or the prospect of competitive advantage, but as a condition of building

sustainable businesses (Ganescu, 2012).

The prudent choice of strategies of corporate social responsibility can ensure the sustainability of the business by obtaining benefits for the organization (improving the image and reputation of the bank, increase of operational efficiency, increase in sales and customer loyalty, achievement of competitive advantage, providing benefits to shareholders, increase in financial performance), benefits for employees (increase of their motivation, improvement of teams unity, decrease of internal conflicts, elimination of unethical practices, development of social solidarity) and environmental benefits (reduction of the impact of economic activity on air, water, soil, depleting natural resources, energy consumption reduction, promotion of recycling and material reuse).

This paper aims at exploring the various dimensions of green marketing in the banking sector, focusing primarily on corporate social responsibility.

In following we present some relevant current studies referring to environmental or green bank marketing and then we have carried out a comparative study on some Romanian banks relating to corporate social responsibility.

2. Theoretical background: Green marketing and corporate social responsibility in the banking sector

According to Preda (2013) "the importance of the marketing activity is shown first by the continuous development of competition in the financial-banking sector in despite of the difficulties of entering and exiting a market, and secondly, by the globalization and the increased interest of the market players which determine high levels of intensity of the commercial activities in this sector".

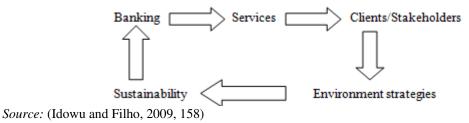
Parallel with the need for corporate social responsibility, Kärnä *et al* (2003), consider that "environmental or green marketing has emerged as a key issue that could potentially resolve the present crisis, and it can be considered as a tool for sustainable development in business and society".

Green marketing is a broad concept, "appears to offer a solution for 'the day after' in the bank market, by contributing towards sustainable development" (Portney, 2008).

We can say that green marketing is the marketing of products that meet the environmental criteria on the entire product life cycle and involves those activities that are related to consumer behavior and their attitudes towards the environment.

A definition of green marketing on banking sector is given by Evangelinos *et al* (2009) and refers to the development of new "green financial products, such as loans that finance cleaner technology, and environmental strategies, such as energy efficiency and waste management programmes, that improve banks' environmental performance and reputation". Also, they made an interface between banking, environmental and sustainability that is outlined in *Figure no. 1*.

Figure no. 1. Interface between banking, environmental and sustainability



According to Kärnä *et al* (2003), "green bank marketing should refer not only to the services offered, but also to the methods and practices that are followed". In Savu (2012) opinion, *green banking*, as a term, covers several different areas, but in general refers to how environmentally *friendly* the bank is, and how committed to green and ethical policies they are, but there are many differences between these commitments, from bank to bank.

In addition, in Yadav and Pathak (2013) opinion "Green Banking is an umbrella term referring to practices and guidelines that make banks sustainable in economic, environmental, and social dimensions. It aims to make banking processes, the use of IT and physical infrastructure as efficient and effective as possible, with zero or minimal impact on the environment."

Corporate responsibility is simply a way for companies and organizations to take responsibility towards the community and environment (both ecological and social) in which they operate.

Although the first corporate social responsibility activities appeared on the local market in the early of 2000s, the trends shaping the international market for sustainability have begun to reach, step by step, Romania as well. Companies that became concerned about reporting at that time were those with majority foreign ownership and which came from markets with a strong sustainability. The first CSR report in Romania was published by Orange Mobile Telephony provider in February 2004 for 2003.

In 2007-2009, banks have begun to develop policies of social responsibility. In this period banks like BRD, BCR, OTP Bank have made short CSR reports, and they have been published on their website.

In Romania, most commercial banks have included in their management corporate social responsibility programs. These programs are available on their website.

3. Green bank marketing and corporate social responsibility in Romania

In recent years a lot of attention has been given to green marketing as well as to corporate social responsibility in Romanian banking sector. Most of the Romanian commercial banks already implement environmental strategies and green banking, investing heavily in their environmental image in order to deal with contemporary challenges. It is known that banks by the color of their logos try to transmit messages. Generally, dark green is associated with money, the banking environment, the financial world. The green colour symbolizes ambition, growth, stability.

Chang and Fong (2010) define green corporate image as ,,the perceptions developed from the interaction among the institute, personnel, customers and the community that are linked to environmental commitments and environmental concerns".

Most commercial banks in Romania are concerned about green (ecological) and environmental activities, but these commitments are different.

In Romania, banks whose logos contain green are the CEC Bank, the OTP Bank, GarantiBank, Credit Agricole Bank. CEC Bank changed its own image in a process of rebranding, adopting a new logo and other green colours. The various shades of green intend to symbolize the rebirth of the institution as these colours suggest the revival of nature in spring. Also OTP Bank aims to operate by the principles of green, i.e. green used in the bank logo signifies the source of positive feelings in every culture: the colour of expertise, freshness and revival; the circle used in the design of the logo is an ancient symbol of the coin, expressing excellence, stability and completeness, the central disk surrounded by a semicircle symbolises knowledge and the resources entrusted to bank, while their growth is secured by the protective circle around it, and the smaller disk is the symbol of progress, development, and the advantages that the bank can offer.

Other banks developed different loans for SMEs (small and medium enterprises) and for farmers that helps them business to perform better. These loans are intended for investments in energy efficiency and in technologies that produce renewable energy, as well as for activities that enforce environmental measures. Such a bank is ProCredit Bank.

In Romanian banking sector, corporate social responsibility is a relatively new concept, implemented by international companies that operates locally. However, there is interest, there are even national recognition (eg. *Green Bank Award*), revealed by the existence of awards to companies that have demonstrated active involvement in local community life and ongoing commitment to satisfying its needs.

Of Romanian banks that have conducted successful activities of CSR in recent times we mention the following:

Table no. 1 The CSR of some Romanian banks

Bank	Purpose	Areas
Market share higher than 5%		
BRD	Conducting businesses in a sustainable manner	Art and music Sports Employee volunteering Respect for the environment Investment in the communities in which it operates
Transilvania Banc	Conducting business in a sustainable way	Financial education courses Culture Sports
BCR	Brokering and supporting the development of value in the communities in which it operates	Education for the development of practical skills Support and promote leaders Civic leadership The energy sector
UniCredit Bank	Sustainable development	Art and music Education and Sports Promote volunteerism, civic involvement and charity Environmental protection projects
Raiffeisen Bank	Community involvement and conducting business in a sustainable way	Arts and Culture Financial education Sport as a healthy lifestyle Urban Ecology Social assistance
Market share less than 5%		
AlphaBank	Sustainable development	Culture Education Sports Green Alpha platform (with a focus on environmental protection)
EximBank	Development of real sector of economy	Social, cultural, sports, humanitarian and educational projects
OTP Bank	To belive in change and the power of the desire to do good	Actions to protect the environment Supporting the community in which it operates Education Culture Sports Health
Patria Bank	Community development	Cultural, sporting and humanitarian projects

Source: The banks' websites

These banks have been involved in such areas as arts and culture, education, sports, humanitarian and environmental protection. Art, culture and sports bring people together, and devise programs that benefit the public as well as customers and employees. Promoting art, culture and sports means helping to shape our society, to give it new impetus, and enabling people to have unforgettable experiences.

All these banks give great importance to education and are actively involved in educational projects, because they realize that education is a step forward made for a better future.

The benefits and effects of active involvement in community life are the following:

- Improved relations with the community (customers);
- Influencing the target public, opinion leaders, media;
- Positioning the company to a higher level in society;
- A better image / more visibility for the company;
- Customer loyalty towards the company and its products;

• Motivating employees.

The benefits of CSR in case of Romanian banks are rather for the banks if we consider that every action, commitment appears in mass-media.

Adopting different CSR measures and policies in the Romanian banking sector could represent a good opportunity for the companies in the sector of gaining strong competitive advantages.

4. Conclusions

In current market conditions, in the financial services sector, but also in other fields of activity, a distinct CSR profile serves as a strategic marketing tool to differentiate a company from its competitors and provides increased visibility in the media and community. Nowadays, corporate social responsibility towards the community and green marketing has attracted considerable interest in the romanian banking sector.

The commercial banks considered above has taken various corporate social responsibility initiatives but we can find many similarities between these commitments like environment friendly initiatives, sustaining education, culture and sports. Banks is also involved in community welfare activities such as empowerment of the lower class by helping them in education, health, water facilities and so on. Such implications will help the banks to maintain long term relationship with the society. Community involvement has become necessary for those companies that want to ensure not only the success but also the respect of society.

We can conclude that corporate social responsibility is a smart investment that brings benefits both to the company and the entire community. Through community involvement programs, banks help build a more prosperous and sustainable future.

In the future, green bank marketing in Romania should be explored in continuation and enriched with insights from practitioners.

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Communication, a Key Factor in the Management of Educational Establishments

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Abstract

Communication is the primary factor in the success of an education organization. Understanding and knowing the mission and goals of the organization by all its members lead to the success of the organization if they were promoted by the manager through effective communication and were timely and accurately transmitted in an appropriate manner. The purpose of internal communication is to increase the motivation of members of the organization by facilitating understanding of the tasks the organization has and, implicitly, its staff. Quality management is based on active communication, in which the manager has as main objective the continuous optimization of communication at all levels, and the removal of barriers to it, in order to achieve the proposed objectives, by synchronizing and harmonizing the actions of all the members of the organization. In the first chapter I will present the role and importance of managerial communication, in the second that a manager communicates and in the third of the communication bottlenecks. As a research method I used the theoretical method.

Key words: communication efficiency, empathy, communication bottlenecks, informational flow, efficient management **J.E.L. classification:** J50

1. Introduction

Communication is the most common form of social interaction, being the main process through which people build their own vision of the world through the exchange of information that takes place between them. However, information is not sufficient in the act of communication, because it can be canceled by the lack of understanding of that information and of the relational framework that will guide and fix its significance. Through communication, people acquire information, build and transmit their self-image, showing the others who they are and what they think, what knowledge they have stored throughout their lives, and transmitting generic and cultural acquisitions from one generation to the next.

Communication is a critical element that condition the success of any organization, being the only way for people to synergize their efforts, synergistically, as the link between "organization" and "action", because through communication it is possible both organized action and organization action. Communication is seen as an information transfer and counter-transfer process that involves group members' participation and cannot exist in their absence. That is why the processes of communication and their quality are major concerns of the organization's management.

2. Theoretical background: The role and importance of managerial communication

In the process of improving communication performance, one of the manager's important abilities is to receive accurate and accurate feedback on the impact of their message on others. Managerial communication no longer has the role of transmitting messages of information,

training, motivation - training, but becomes a dynamic, independent and innovative force that is modeled by knowledge and creativity. In analyzing the role and importance of communication in the management process, three important aspects need to be taken into account:

- ✓ the manager's interpersonal role involves a constant communication relationship between managers and subordinates, beneficiaries and partners;
- ✓ the informational role assumes that the manager is in a constant search for information obtained from all contacts that could affect the performance and the objectives of his / her activity;
- ✓ the manager's decision-making role is to use this information, contacts and relationships to capitalize on resources, resolve conflicts, and initiate optimal solutions to the problems he has to deal with.

The purpose of managerial communication is very diverse:

- ✓ to receive and transmit information;
- ✓ to debate, clarify and solve a problem;
- ✓ to make decisions;
- ✓ to explain and implement them;
- ✓ to transmit various tasks;
- ✓ to motivate staff;
- ✓ to guide the action;
- ✓ to evaluate a person or activity, a result;
- ✓ to express opinions, demands, feelings, beliefs, attitudes, etc.

Depending on the purpose, managers choose the most appropriate type, form and means of communication.

Many of the issues that arise in an organization are the direct result of communication errors.

A manager is a successful communicator if:

- ✓ people feel they have received enough information from them, and the subordinates understand what is happening in the organization and in the unit where they work, especially the issues related to their jobs;
- ✓ People feel that the messages and information they receive are clear and precise;
- ✓ People feel that the manager listens to them and understands what they want to say.

3. What a manager says?

In the pre-university education units, managerial communication is closely linked to the functions of management, the functions of the communication itself and the organizational culture.

The goal of managerial communication is to achieve a correct, pertinent and efficient information flow, horizontally and vertically, to the organizational structure in order to achieve the strategic and operational objectives set. This shows that in an organization, communication is not done at random or at will, but according to certain professional, ethical and moral norms that ensure the stability and functionality of the organization.

The fundamental elements of an effective managerial communication are:

- ✓ the need to know or have the professional knowledge necessary to achieve the individual objectives;
- ✓ the need to understand the purpose of individual goals or the purpose of an activity;
- ✓ the need to express opinions or value judgments and to communicate them to others.

For this reason the correctness and efficiency of the information system depends on the following characteristics of the communication:

- ✓ clear and unambiguous wording of the messages;
- ✓ fast and undistorted transmission of messages;
- ✓ decision-making decentralization;
- ✓ high professionalism.

Considering these aspects, as well as the high share of activities dedicated to communication by the manager, managerial communication fulfills the following communication roles:

✓ interpersonal, characterizing the manager's ability to organize, coordinate, influence and represent an organizational structure;

- ✓ information, namely the ability of the manager to collect, process, synthesize, monitor and transmit functional information both inside and outside the organization;
- ✓ decision making, highlighting the manager's ability to quickly and effectively resolve certain malfunctions, as well as the diplomatic ability to manage conflicts.

The success of group communication implies:

- ✓ preparation of meetings (meetings, sessions);
- ✓ managing them by certain rules and rules
- ✓ adequate capitalization of discussions.

As far as preparation is concerned, it includes:

- ✓ specification of the purpose and objectives pursued;
- ✓ setting the "agenda";
- ✓ establishing the participants (elected according to the opportunity criterion, depending on the agenda, ie the issue subject to the group debate);
- ✓ setting date and place of deployment;
- ✓ Ensuring conditions (adequate space, adequate illumination, acoustics, etc.);
- ✓ convening the participants, together with informing them on the order of the meeting (meeting, sitting).

The leadership of the meeting (meeting, sitting) consists of:

- ✓ addressing issues on the agenda;
- ✓ stimulating participants' attention and interest in these issues;
- ✓ stimulating debates and respecting the time spent (encouraging those who have been detained and tempering the zeal of the talk);
- ✓ drawing conclusions, referring to the views and suggestions of the participants.

The discussion is used both in the conclusions and later on, and the group members will be informed, on a short notice, of what has been chosen from their proposals.

4. Communication blockages

After the discussions with the staff of the pre-university education institutions, it was found that the blockages in communication do not depend on the material side, especially on the human one, respectively on the psychological component included in the process.

They can be generated by the manager or subordinates.

4.1. Obstacles generated by managers

Ussualy, managers, as initiators and coordinators of communication, tend to lift artificial barriers in communicating with their subordinates or counterparts because of:

- a) Difficulties in the ability to transmit information. This category includes:
- the tendency of overdimensioning of introductory explanations, made useless especially when the subordinate is familiar with the subject;
- the tendency to transform the dialogue into a monologue, either due to lack of time or trust in the partner or interest in his / her opinion;
- the stereotype of the mode of transmission and presentation (lead to less interest);
- the use of a high tone of irritability (partner intimidation and lack of response);
- use of a language inappropriate for the subordinate (terms too used, too high or strict specialty);
- lack of attention or ability in conducting dialogue to achieve an objective;
- deficiencies in listening capacity.
- b) Reduced listening capacity or improper listening due to:
 - lack of respect for the personality of the interlocutor manifested through lack of attention, impatience, rush to finish faster, solving in parallel other problems;
 - low concentration of concentration on the background of the problem, which diverts attention to the form of communication;

- persistence in the prejudice that the subordinates can not have good ideas or suggestions for solving problems (the tendency to consider that any proposal is an attack on the prestige of the leader);
- the tendency to intervene during exposure, and to present exactly the opposite, which is likely to discourage the continuation of the dialogue and, in the future, to block the communication initiatives of the subordinate staff;
- resistance to introducing new ideas; a new idea disturbs an already established order, and transposition into practice may entail implementation difficulties, requiring additional effort that would endanger the rules, existence, comfort, the status of some people, the benefits already obtained etc.;
- the tendency to consider that any idea, a proposal to upgrade a domain automatically involves the existence of a tolerated management fault.

4.2. Obstacles generated by subordinates

They have as their source either the desire for security or the lack of involvement in the life of the organization, or factors that simply concern temperament, working climate. The forms underlying these difficulties are:

- Reserve subordinates to express their own opinions in the fear of having no inconvenience with the superiors or not endangering their advancement;
- the conviction that the subordinates' problems do not concern the manager;
- lack of habit in communication. Not having the ability to express himself or herself verbally or in writing, stops doing more of an own-initiative communication;
- the tendency to consider that any idea, a proposal for improvement, automatically implies the existence of a tolerated management fault; In such a context, a proposal would seem like a denunciation to the one who leads, which could trigger hostility;
- consistency between the requirements of the communication and the possibilities of the subordinates to satisfy them in terms of quality and time;
- the frequency of the changes;

The change in instructions, the order is more frequent, the more disaffiliated among the subordinates, putting the manager's ability and competence under unfavorable light.

Increasing the efficiency of the communication process implies, above all, overcoming these barriers in the communication process. Communication has many difficulties to pass:

- avoiding the gap between what the subordinate lives in the organization and thinks about it and what the organization claims to be itself;
- sending the same to the staff of the organization, but using specific tools, clear messages and different transmitters;
- harmonization of internal and external communication; no good external communication can be achieved without first having a good internal communication.

5. Conclusions

Research has led to the conclusion that an organization with effective and effective communication with respect to the requirements and resolution guidelines mentioned will be able to provide employees with permanent working conditions, different from classical bureaucratic work.

Organizational and managerial communication is inconceivable without technology and computer products, without computers and computer networks, and communication efficiency is determined by empathy and authenticity.

All forms of communication are represented in a specific balancing in each individual's communication style. Therefore, forms of communication are ways of decrypting messages and indicating the personal meaning of communication.

The aim of internal communication is to increase the motivation of the members of the organization by facilitating the understanding of the tasks of the organization and implicitly its staff, a well planned and conducted internal communication activity has the effect of improving the

morale of the members of the organization, stimulating their sense of belonging to the organization, efficiency of activities, performing the tasks that the organization has.

This goal is achieved by providing information about:

- o the nature and importance of the personal contribution of each member of the organization;
- o facilities and services that members of the organization can benefit from;
- o the tasks of the organization and its strategic objectives;
- o the organization's relations with the local community;
- o the moral, material, and financial responsibilities of each member of the organization;
- o professional perspectives, organization's guidelines in human resource management issues;
- o current domestic, local, national and international events of interest to members of the organization.

We can draw the following conclusions on managerial communication:

- o regardless of the manager's specialty and how well he is professionally trained, his success is conditioned by the ability to communicate pertinently and effectively;
- o the particularities of communication are imposed by its purpose, objectives and role within the organizational structure;
- o the stability, cohesion and efficiency of the organization depends on the reliability and speed of communication:
- o the need for a good command of methods and communication techniques on the part of the manager;
- o there is close interdependence between managerial communication and organizational culture;
- o the importance of managerial communication is closely linked to the hierarchical weight;
- o the need for continuous improvement of managers in the field of communication;
- o is a vital component of the management system;
- o it is a philosophy of the manager.

Thus, we will conclude because through an efficient internal communication in the preuniversity education organizations the following objectives are to be achieved:

- o transmitting organizational values to employees, who in turn transmit these values to students:
- o homogenizing the team and integrating it into the public administration structure at local, national, international level;
- o motivation and retention of employees;
- o transparency and gaining confidence and credibility in the institution and its management;
- o effective management of crisis situations and changes at the organization level.

Also of particular importance is the understanding that those responsible for internal communication in the pre-university education are not only the manager or the management team but also all the employees of the institution, whether they are teaching staff or auxiliary or non-teaching staff, that they have a leading position or execution functions.

In conclusion, knowledge of the methodology and stages of communication is essential in any institution, both for building a motivating organizational climate and for establishing a good relationship with the various target audiences that the institution comes into contact with, through the nature of its activity.

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Revealing the Main Characteristics of Work Flexibility. An Empirical Analysis Based on Romanian Employees' Perspective

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Abstract

The paper aims to analyse the main characteristics of work flexibility in the Romanian companies using a sample of 220 employees, analysing the contractual, functional, wage and alike the working time flexibility.

The empirical results revealed that the main forms of work flexibility present in the Romanian companies are team work, computer usage and teleworking.

Among the main forms of work flexibility, working time flexibility and contractual flexibility are not much present in the Romanian organizations.

The functional flexibility relating on training of employees, according to the training needs of the company and on the working team autonomy is present into a small extent in the Romanian companies.

Among the main measures pointed out by the Romanian employees to increase the level of work flexibility, wage flexibility and working-time flexibility would be highly appreciated.

Key words: contractual flexibility, working time flexibility, wage flexibility, functional flexibility, Romanian employees

J.E.L. classification: J22, J81, O15, C83.

1. Introduction

Innovation, creativity and initiative are key conditions for ensuring performance in most current workplaces, and also are the incentives that motivate the new generations. These qualities require you to be proactive, to change your perspective, to discover new opportunities, to enrich your knowledge and abilities, to know new people, to change the fixed workstation by a dynamic one, using both spaces which facilitates collaboration or concentration as well as other types of unconventional areas from the perspective of traditional office spaces. With the promotion of teleworking law in Romania, homework has become a topic of interest in Romanian society.

In this context, the paper aims to analyse the main characteristics of work flexibility in the Romanian companies using a sample of 220 employees, analysing the contractual, functional, wage and alike the working time flexibility.

The paper is organized as follows. The second section is dedicated to the presentation of the most relevant studies regarding work flexibility, while the following section is dedicated to methodology and data. The section of empirical results is structured into two sub-sections: sample profile reflecting the main features of interviewed employees, the sub-section of the main characteristics of the work flexibility and the paper ends with the main conclusions.

2. Theoretical background

It is more than likely that the future reserves changes regarding the way of organizing the work, and that the traditional approach of 8 hours / day, 5 days per week could not provide anymore the necessary solutions in the dynamics of technological changes that many organizations are currently going through.

According to Kossek et al.(2011) and Kossek and Thompson (2015, p.12), there are "four types of workplace flexibility:

- (1) flexibility in scheduling;
- (2) flexibility in place/location;
- (3) flexibility in amount of work/workload and hours;
- (4) flexibility in leave periods and career continuity".

Casuneanu(2013) identified four types of workplace flexibility: working time flexibility, contractual flexibility, functional flexibility and wage flexibility.

Working time flexibility refers mostly to: work with flexible working hours; part-time work; work in overtime; work outside normal working hours.

Contractual flexibility can be found in various flexible contracts for hiring workers: temporary contracts, fixed-term contracts, self-employed contracts, while functional flexibility involves the training of employees, according to the training needs of the company and the working team autonomy who enables them to adjust the company to new changes.

Wage flexibility aims at reducing labour costs work balancing the ratio "effort-reward" in correlation with performance unit, variations of production activities, internal and external markets conjuncture.

Zamfir (2010) analysed the regulatory framework of labour flexibility at the national level, collective agreements, company level; working time organization and its impact on private and family life.

Wallce (2003) investigated flexibility in eight countries including also Romania in terms of time flexibility, place flexibility or conditions (contract) flexibility revealing that a good level of flexibility is associated with highly educated people who are able to regulate their own working time.

Serban (2012) mentioned that the adaptability of the employees can be significantly improved through an increased labour market flexibility who will lead to a greater productivity, leading to a more efficient allocation of human resources within the economy.

The results of Tang and Cousins (2005) based on the comparison of three West European countries (Netherlands, Sweden and the UK) with five Central East European countries (Bulgaria, the Czech Republic, Hungary, Romania and Slovenia) in terms of working time and integration of work and family life, proving that are distinct routes of flexibility leading to significant differences.

Casuneanu (2014, p.1) identifies the main priorities to increase the labor force flexibility: "multi-qualification of workers, use of information technologies, job rotation, team work, continuous professional training of the employees, updating the job descriptions, expanding the practice of atypical employment contracts – fixed term work contracts, temporary work contracts, contracts for home employment, teleworking".

3. Methodology and data

The paper aims to analyse the main characteristics of work flexibility in the Romanian companies pointing out the contractual flexibility, the functional flexibility, and the wage flexibility and not ultimately the working time flexibility using a sample of 220 employees.

The empirical research was carried out on a sample of 220 individuals with ages between 15-64 years old having the statute of employee based on a stratified sample concerning the following layers: regional distribution of employed persons, activity sector distribution, gender distribution and urban / rural distribution. The sample obtained was considered to be representative at the national level. The sample was statistically representative in all areas of activity. The data has been collected during the period October-November 2018.

The main research questions of the study were: what type of contractual flexibility is present within the Romanian companies? What kind of elements of work flexibility are present in the Romanian organizations? What are the main characteristics of working time and functional flexibility among Romanian employees? What are the urgent measures that must be taken by the management of the organization in order to improve the motivation and work flexibility of the employees?

In order to capture all these, different types of variables have been used. The contractual flexibility has been measured within the study by various types of contracts: indefinite working contract with full working time, indefinite working contract with partial working time, full-time fixed-term employment contract, and fixed-term contract with part-time work, work contract at home, teleworking (remote work, from home or near the house) or other types of contracts (on call, job sharing).

The presence of main forms of work flexibility has been evaluated using dichotomous variables coded by 1-for the presence and 0-otherwise.

The main characteristics of working time and functional flexibility have been quantified using dichotomous variables coded by 1-for the presence and 0-otherwise.

The urgent measures that must be taken by the management of the organization in order to improve the motivation and work flexibility of the employees have been quantified using dichotomous variables coded by 1-for the presence and 0-otherwise.

The empirical analysis was based on frequencies and descriptive statistics. The Statistical Package for Social Sciences version 20 (SPSS) was used to perform the analysis.

4. Empirical results

4.1. Sample profile

From the total of 220 Romanian employees interviewed, most of them were males (55%) and have ages ranging between 36-45 years old(30%) respectively 46-55 years old(30%). Only 5% of them have ages under 26 years old and a very small proportion were elderly (55 years and over, 7%). The sample regional distribution revealed a relatively balanced distribution, 20% of interviewed employees coming from Bucharest-Ilfov, while almost 11%-12% of them were coming from other regions of the country. Approximately 31% of employees come from small companies with almost 49 employees, while 27% of sample work in large companies with more than 250 employees. The majority of respondents (70%) declared to work in limited liability companies, while only 7% of them in public institutions. Most of the employees work in companies from service area (44%) followed by manufacturing industry (24%) and retail trade (11%). Almost 27% of employees have as length of service over 10 years, while 23% of them have between 1-3 years, respectively 5-10 years. Concerning the years of experience in management positions, an overwhelming proportion of employees (82%) declared not to have such an experience.

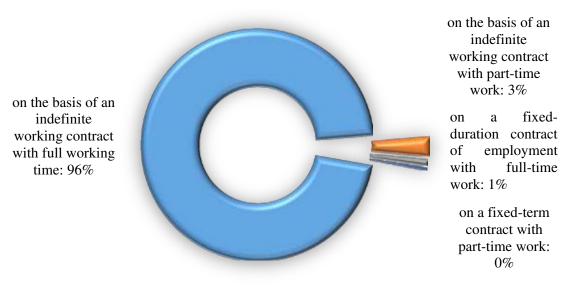
Regarding the main occupation, a quit large proportion of employees declared to be skilled workers (42%), while only 19% of them were higher education specialists and 15% of them declare to be public services' employees

It is worth to mention that a large proportion(42%) of interviewed employees have salary under the threshold of 2500 lei and only 6% of them earned between 5000 and 7000 lei, while an even smaller proportion(2%0 earned between 7000 and 10000lei.

4.2. Revealing the main characteristics of work flexibility

Analyzing the contractual flexibility (temporary contracts, fixed-term contracts, self-employed contracts) among Romanian employees, it can be highlighted that the majority of Romanian employees has an indefinite working contract with full working time (96%), while 3% of them has indefinite working time with part-time work and only 1% of employees work on the basis of fixed duration contract with full time. Therefore, we can conclude that the contractual flexibility is not much present within the Romanian organizations.

Figure no. 1 Types of Romanian employee contracts



Asked about the main forms of flexibility present at the current job, Romanian employees mentioned in a large proportion (81% of them) work in team, followed by computer usage (47%) teleworking (24%) and job rotation (20%).

81% 47% 24% 20% 17% 15% Updating the job Improvement of Job rotation teleworking Computer Usage Team Work post according to work (remote work the new tasks organization from home or near the house)

Figure no. 2. Main forms of work flexibility practiced at the job

Source: Own processing

Analyzing the responses offered by the employees concerning the main elements regarding the working time and activities at the post, 89% of them declared to work 40 hours per week at the main job and 87% of them work the same number of days per week. About 70% of them mentioned that they start and finish the program at fixed hours and only 55% declared to know about changes in work organization and working conditions. On the other side, 40% of employees declared to work in shifts and only 37% of them have work flexible. Therefore, working time flexibility manifested by work with flexible working hours, part-time work, work in overtime or work outside normal working hours is not much present in the Romanian organizations. Only 5% of interviewed employees declared to have more than one job.

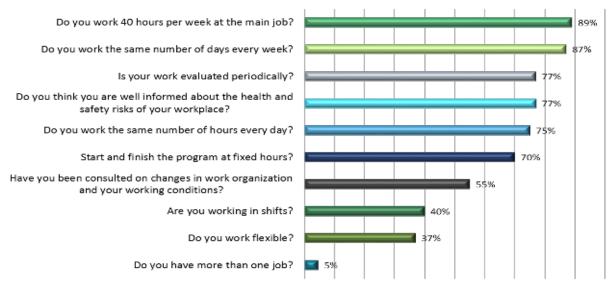
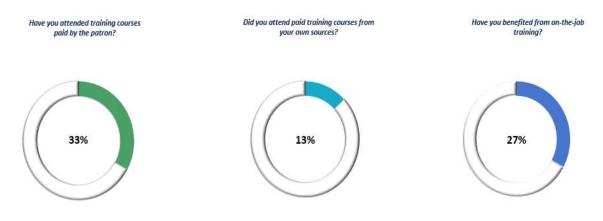


Figure no. 3 Main elements regarding the working time and activities at the post

The functional flexibility relating on training of employees, according to the training needs of the company and on the working team autonomy who enables them to adjust the company to new changes is present into a small extent in the Romanian companies.

Figure no. 4 Main forms of functional flexibility



Source: Own processing

Only 33% of employees declared to attend training courses paid by the patron and only 13% pay for training courses from their own sources, while almost 27% of employees benefited from on-the job training.

Asked about what kind of measures need to be taken in order to increase the flexibility of employing the workforce and the working time of employees, most of employees(66%) mentioned the flexible compensation according to the effort and the allocated time, and about 45% of employees declared a flexible work schedule. Therefore, it is important to mention that for the Romanian employees, wage flexibility and working-time flexibility would be highly appreciated.

Teleworking was mentioned by only 13% of employees while functional flexibility given by the working team autonomy in 22% of cases.

Flexible compensation according to the effort, the time allocated

A flexible work schedule

Managing as much as possible fixed assets to put as little effort into their use

Reduce the working week

Best management of space to reduce travel during work

Extension of holidays

Developing independent working teams to manage their time together to perform a task

Possibility to work from home, or from a space near the house

Ability to work outside the usual hours of the program

6%

Figure no. 5. Main measures that need to be taken to increase the flexibility of employing the workforce and the working time of employees

More than 70% of Romanian employees declared to be satisfied with the working conditions from the current job, while only 3% of them mentioned to be dissatisfied.

5. Conclusions

The paper aimed to analyse the main characteristics of work flexibility in the Romanian companies analysing the contractual, functional, wage and alike the working time flexibility.

The empirical results revealed that the main forms of work flexibility present in the Romanian companies are team work, computer usage and teleworking, while working time flexibility and contractual flexibility are not much present in the Romanian organizations.

The functional flexibility relating on training of employees and on the working team autonomy is present into a small extent in the Romanian companies.

Among the main measures pointed out by the Romanian employees to increase the level of work flexibility, wage flexibility and working-time flexibility would be highly appreciated.

Therefore, flexibility become very important in the context of in which the Romanian labor market has entered a new era. Employees and employers have become partners. There is a need to add more flexibility at the job.

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Analyzing the Link Between Work Flexibility, Job Satisfaction and Job Performance Among Romanian Employees

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Abstract

The labour market has redefined in recent years and has changed the way employers report to employees. Work flexibility is important in the context in which those who work at the desired hours tend to be more motivated and spend a longer period of time without changing their job.

The paper aims to analyse the link between the main forms of work flexibility, job satisfaction and job performance using a sample of 220 employees, emphasising the role of work flexibility in the motivation system of employees and evaluating the impact of workspace on job satisfaction and performance.

The empirical results revealed that schedule flexibility (a flexible program, teleworking or reducing overtime) tend to significantly influence job satisfaction and performance and from the four new types of working (FO, CW, HOT, HOP) the results revealed that all four ways of working highly impacted the well-being, personal and professional performance and the overall level of motivation.

Key words: work flexibility, Romanian employees, job satisfaction, job performance, ways of working

J.E.L. classification: J22, J81, O15, C83.

1. Introduction

Innovation, creativity and initiative are key conditions for ensuring performance in most current workplaces, and also are the incentives that motivate the new generations. This are the premises from which new ways of working, such as flex office, coworking, partial or total home office, have developed in recent years. With the promotion of teleworking law in Romania, homework has become a topic of interest in Romanian society. The labor market has redefined in recent years and has changed the way employers report to employees.

Flexibility at work is important. Those who work at the desired hours tend to be more motivated and spend a longer period of time without changing their job. Digital transformation and technology enable, in many areas, to carry out activities from anywhere where there is an internet connection.

This paradigm shift has led, in recent years, to an increase in employees' autonomy, breaks during work schedules to meet the needs of employees, employee participation in decision making, workspace modelling to increase employee creativity and productivity.

In this context, the paper aims to emphasize the role of flexibility in work in the motivation system of employees and also to evaluate the impact of workspace on job satisfaction and performance using a sample of 220 employees.

The paper is organized as follows. The second section is dedicated to the presentation of the most relevant studies regarding work flexibility, job satisfaction and job performance, while the following section is dedicated to methodology and data. The section of empirical results is structured into two sub-sections: sample profile reflecting the main features of interviewed employees and the analysis of linking different forms of flexibility with job satisfaction and job performance, the paper ending with the main conclusions.

2. Theoretical background

The concept of flexicurity has been promoted at the level of the European Union since 2007, the year of Romania's accession to the EU, being defined as an integrated strategy to ensure at the same time greater flexibility and stability on the labor market. It is more than likely that the future reserves changes regarding the way of organizing the work, and that the traditional approach of 8 hours / day, 5 days per week could not provide anymore the necessary solutions in the dynamics of technological changes that many organizations are currently going through.

Cazes and Nesporova (2006) analysed changes in employment patterns in the western Balkan countries in comparison with the new EU members, Bulgaria and Romania, taking into consideration the concept of flexicurity.

Serban (2012) mentioned that the adaptability of the employees can be significantly improved through an increased labour market flexibility who will lead to a greater productivity, leading to a more efficient allocation of human resources within the economy.

Using the results provided by Time Use Survey and Labour force Survey, Istrate and Caragea (2008) investigated how working arrangements could affect time use of Romanians, revealing that many workers feel that they must choose between work and family, organizations have recently become interested in alternative ways to schedule work, part time labor force covers a small dimension of labor market. They mentioned that the main advantages of using flextime working arrangements are: the increased level of productivity, higher employee morale and enthusiasm and also a better balance between work and family life.

Into a comparative study on labour market flexibility between Romania and Austria, Avram and Avram (2012) analyzed the main dimensions of labor market flexicurity, the quality of social partnership and the present status of the targets set by of Europe 2020 Strategy.

Vasilica and Mladen (2009) revealed the importance of flexicurity as being a combination of flexible labur market and satisfactory levels of security. They also analysed the four policy components of EPL index-flexibility of the labour law, lifelong learning policies, active labour market policies and social security system - in an integrated manner.

Casuneanu (2014, p.1) identifies the main priorities to increase the labor force flexibility: "multi-qualification of workers, use of information technologies, job rotation, team work, continuous professional training of the employees, updating the job descriptions, expanding the practice of atypical employment contracts – fixed term work contracts, temporary work contracts, contracts for home employment, teleworking".

Tufa (2016) and Igret et al.(2016) investigated the relationship between quality of working life, job quality and work-life balance revealing work life balance as a key factor in improving working conditions.

3. Methodology and data

The main objective of the paper was to emphasize the role of flexibility in work in the motivation system of employees and also to evaluate the impact of workspace on job satisfaction and performance.

The empirical research was carried out on a sample of 220 individuals with ages between 15-64 years old having the statute of employee based on a stratified sample concerning the following layers: regional distribution of employed persons, activity sector distribution, gender distribution and urban / rural distribution. The sample obtained was considered to be representative at the national level. The sample was statistically representative in all areas of activity. The data has been collected during the period October-November 2018.

The main research questions of the study were: Is work flexibility impacting the overall level of motivation of Romanian employees? What is the opinion of Romanian employees regarding the new ways of working and how these new type of workspace would impact the general level of wellbeing, growth and professional development, social and professional relationships, personal professional performance and organizational performance?

The potential impact of ways of working, from the point of view of organizational performance and the feedback of office people has been evaluated through dichotomous variables.

Flex Office [FO] referred mainly to non-personal and non-tertiary workspaces, also called hot desk or share desk, which are generally linked to spaces that create better facilities for meetings, concentration, creative activities, learning activities and more.

Coworking [CW] means activities in leased spaces, usually individual and short-term, or just for certain activities, often by people with diverse, often complementary activities that they can carry out at home, but which they prefer to do in an environment with more social relationships, with which they interfere frequently and professionally. Home Office is homework, either [HOT] or part [HOP].

The empirical analysis was based on frequencies and descriptive statistics. The Statistical Package for Social Sciences version 20 (SPSS) was used to perform the analysis.

4. Empirical results

4.1. Sample profile

From the total of 220 Romanian employees interviewed, most of them were males (55%) and have ages ranging between 36-45 years old(30%) respectively 46-55 years old(30%). Only 5% of them have ages under 26 years old and a very small proportion were elderly (55 years and over, 7%). The sample regional distribution revealed a relatively balanced distribution, 20% of interviewed employees coming from Bucharest-Ilfov, while almost 11%-12% of them were coming from other regions of the country. Approximately 31% of employees come from small companies with almost 49 employees, while 27% of sample work in large companies with more than 250 employees. The majority of respondents (70%) declared to work in limited liability companies, while only 7% of them in public institutions. Most of the employees work in companies from service area (44%) followed by manufacturing industry (24%) and retail trade (11%). Almost 27% of employees have as length of service over 10 years, while 23% of them have between 1-3 years, respectively 5-10 years. Concerning the years of experience in management positions, an overwhelming proportion of employees (82%) declared not to have such an experience.

Regarding the main occupation, a quit large proportion of employees declared to be skilled workers (42%), while only 19% of them were higher education specialists and 15% of them declare to be public services' employees

It is worth to mention that a large proportion(42%) of interviewed employees have salary under the threshold of 2500 lei and only 6% of them earned between 5000 and 7000 lei, while an even smaller proportion(2%0 earned between 7000 and 10000lei.

4.2. Analyzing the potential impact of different forms of flexibility on job satisfaction and job performance

Evaluating the responses offered by the employees, it can be highlighted the importance of financial motivation through the increase of wages, but this form of motivation will bear fruit only on short-term. Usually, the elements of non-financial motivation are more important. Almost 79% of employees mentioned this form of financial motivation as important.

Among other measures mentioned, we have included functional flexibility (training course for employees, a better organization of employees 'work or a better system of assessing the activities), schedule flexibility (a flexible program, teleworking or reducing overtime).

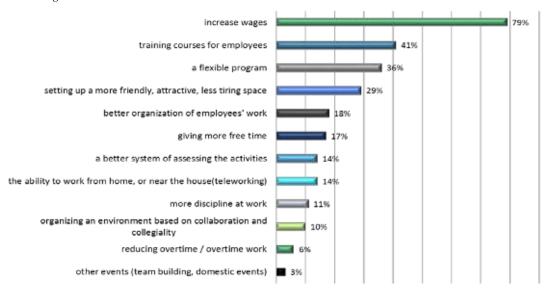


Figure no. 1 Main measures that need to be taken in order to improve the motivation of the employees of the organization

The functional flexibility was mentioned as the second option after the salary increase, voted by 41% of employees, while on the third place it is important a flexible program(36%) for the Romanian employees. Employees who perceived to have more flexibility on the job reported better sleep, more exercise, and a healthier lifestyle in general than those employees who did not perceive the availability of flexibility.

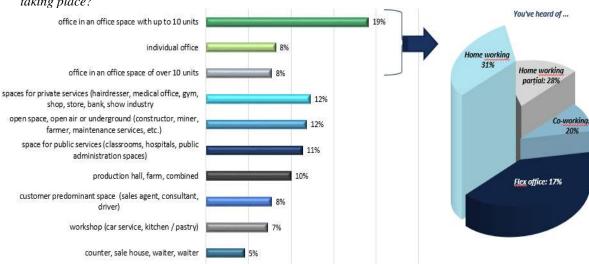


Figure no. 2 Which of the following situations is best suited to describe where most of your activity is taking place?

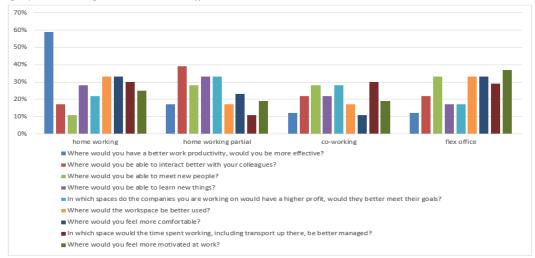
Source: Own processing

Evaluating the responses, we can mention that about 19% of employees work in office within an office space with up de 10 units, while 8% work in individual offices respectively in office within an office space of over 10 units. Asked about new ways of working, 31% of them known about home working, 28% of partial home working, 20% of co-working and only 17% of flex office. Examining the impact of these forms of ways of working (FO, CW, HOT, HOP) on the job performance and satisfaction, the results revealed that for those working in an individual office:

• Home working will have a highly impact on the well-being and personal professional performance(employee productivity);

- Partial home working will be a positive effect on growth and professional development, social and professional relationships and organizational performance;
- Flex office will have a direct impact on the well-being, social and professional relationships and job motivation.

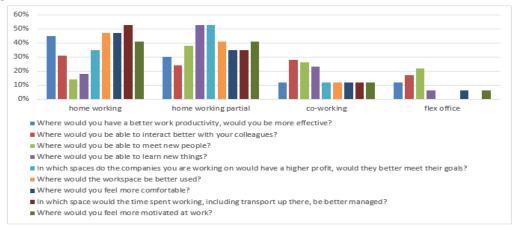
Figure no. 3 The impact of different forms of workspace on the job performance and satisfaction for employees working in an individual office



For those working in an office space with up to 10 units, the opinions are slightly different:

• Home working is very important, impacting positively the employee productivity, interaction with colleagues, well-being, and better managed working time and ultimately job motivation.

Figure no. 4 The impact of different forms of workspace on the job performance and satisfaction for employees working in an office space up to 10 units



Source: Own processing

 Partial home working will impact directly the growth and professional development, social and professional relationships, personal professional performance and organizational performance

For those working in an office space with more than 10 units, partial home working is very important leading to the growth and professional development, social and professional relationships, personal professional performance and organizational performance, while home working is relevant from the perspective of knowing new people, well-being and the overall level of job motivation.

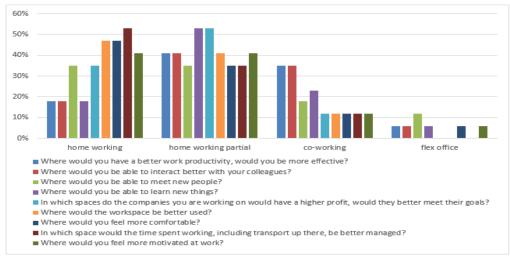


Figure no. 5 The impact of different forms of workspace on the job performance and satisfaction for employees working in an office space with more than 10 units

5. Conclusions

The paper aimed to analyse the link between the main forms of work flexibility, job satisfaction and job performance using a sample of 220 employees, emphasising the role of work flexibility in the motivation system of employees and evaluating the impact of workspace on job satisfaction and performance.

Analyzing the potential impact of different forms of flexibility on job satisfaction and job performance, functional flexibility (training course for employees, a better organization of employees 'work or a better system of assessing the activities), schedule flexibility (a flexible program, teleworking or reducing overtime) tend to significantly influence job satisfaction and performance.

Examining the impact of four types of working (FO, CW, HOT, HOP) on the job performance and satisfaction, the results revealed that all four ways of working highly impacted the well-being, personal and professional performance and the overall level of motivation.

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Green by Choice: Is Becoming a Vegetarian a Green Statement?

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Abstract

The awareness of the environmental issues has made people to feel guilty about their past choices and to help minimize their negative impact they have decided to live a life based on sustainability. Living a sustainable life means, among other, to protect the environment. Therefore, people turned their usual consumption into a green way.

The purpose of this thesis was to illustrate how two type of vegetarianism, flexitarians which are those people who on rare occasions consume meat but in generally they follow a plant based diet and actual vegetarians, could be integrated into a bigger group called green consumers. Although these two concepts are completely different, some similarities between them exist.

Regarding their overall behavior, there is a connection between the choice of a vegetarian diet with the impact on the environment of personal overall consume and the perceived impact on the ecosystem of alimentary consume with the overall consume.

Key words: vegetarians, flexitarians, green behavior, green consumption, environment friendly choices

J.E.L. classification: F64, M30, M31, Q56, Q57.

1. Introduction

A person who is dedicated towards being a green consumer is the one that is thinking what negative consequences there will be to the environment when his actions are classified as harmful to the nature. And therefore, his concern starts to change the way he is acting and he will do everything in his power to avoid being a "threat" to its surroundings, like buying only organic or sustainable products.

According to Lye Heng and his colleagues, which had developed a model of ecological behavior, a pro-environmental behavior is influenced by psychological and social factors which generates five factors that contribute to this type of conduct: (1) the possibility to act pro environmental; (2) the attitudes and values towards the environment; (3) knowledge about environment; (4) consequences of the behavior perceived and (5) motivation for a behavior like this. All of these are frequently assumed to motivate a green consumption behavior. Bartkus and his colleagues did some research and found that there has there is a link that has led to positive effects on the green consumer's behavior. The present relation was done between self-reported and objectively measured knowledge regarding the environment. Green consumers are concerned about environmental issues (Lye et al., 2015, pp. 432-433; Bartkus et al, 1999, pp.129-146)

2. Theoretical background

Environmental sustainability also represents one of the vegetarian's concerns. It is not the main reason why they stopped consuming meat, as a study realized by Nick Fox and Katie Ward proves, but still there are some people who are taking into consideration the problems that arise from the meat consumption (Fox and Ward, 2007, p. 426). Simultaneously, once they started following a vegetarian diet some people begin to bike, walk and tried not to use their cars as before. Even if in the beginning the protection of environment is not the main reason for the abstinence of meat, people still expressed some environmental commitments and after a while environmental concerns are becoming a priority.

Even if some vegetarians do not consider the environment when taking the decision of living on a diet based solely on plants, indirectly they are still having a big and positive impact on it. As stated by the American Journal of Clinical Nutrition, to produce animal products like milk and eggs used in a lacto-ovum-vegetarian diet, the actual animals requires half of the quantity of food than the amount of grains used to grow animals for a meat based diet. In this case was used a lacto-ovum-vegetarian diet, because it is the most common one, to compare to a meat based one.

Growing plants and vegetables also requires major inputs of fossil energy, just like animal farming, but the quantity of energy inputs is significantly different. Essential foods in a vegetarian diet like grains and soybeans are produced more efficiently when it comes to the consumption of fossil energy. Vegetarians are motivate by ecological problems to stop eating meat (Fox and Ward, 2007, p. 426; Pimentel and Pimentel, 2003, p. 660).

Green consumers do not only think about the environment when they make a purchase, because in the end they are the ones that are going to utilize or eat that particular product. And so, the consideration for the environment incorporates their concern about their health. It is obvious that not all products are considered green and suitable for those who are dedicated green consumers, but there are some that are sustainable and at the same time healthier, when talking about food. Everything that is certified organic or eco-friendly are products that represent a good solution to the concerns of green consumer.

In recent years there has been a rapid growth in the market for all the products that can be classified as being organic and in more and more countries the consumption and production of these foods is spreading fast. And the reason behind this is the fact that organic products are much healthier than the usual ones and people will prefer to pay extra to be sure that they are eating well. Health is a concern of the green consumers (Thøgersen, 2010, p. 172; Woese et al., 1997, p. 281).

Many people are associating health with a balanced diet, because they believe that a poor dietary regime will bring down the levels of health and also it will increase the chances of some specific diseases to appear. An ideal diet nowadays, that can improve the life span and the quality of it, it is considered to be the vegetarian one. There are enormous differences between how a vegetarian and a meat-based eater feel, because many people have confirmed that once they start abstaining from meat they already felt much healthier and alive. Most of the times, people are motivated by health reasons to start following a plant based diet and then this reason become a justification for carry on with such a diet.

Starting from 1980 and until 1984, 4 persons did a study on comparing the state of health and also the mortality rate between vegetarians and non-vegetarians. As expected, at the end of their study they reached the conclusion that the mortality rate from the major types of cancer had really low rate for the vegetarians, up to 50% lower than for those who are consuming meat. Also, they saw that meat eaters are more prone to heart diseases and emergency appendectomy. Thus, the health of non-vegetarians that participated in the study is generally weaker compared to the vegetarians, who turn out to be very healthy, with just a little insufficiency of iodine. The main motivation for a person to start a vegetarian diet is the desire for a healthier life (Fox and Ward, 2004, p. 426; Appleby et al., 1999, p. 525).

3. Methodology

The research objectives were:

- O1: To identify the health consciousness of the flexitarians and vegetarians.
- O2: To identify the motivation of being a flexitarians or a vegetarian.
- O3: To identify the green behavior of the flexitarians and vegetarians.
- O4: To identify the perception of flexitarians and vegetarians on the impact of their own consume on the environment.

The research method consists of an online survey, applied to the suggested people through the snowball techniques which also correspond to the population. In order to have enough respondents to finalize the research, an online questionnaire was used and made with Google Forms. It has a filter question, in order to eliminate those who cannot be classed as vegetarian of flexitarian and a question which separates them in order to be easy later to compare their answers. To see how they feel about their own health we used a Health Consciousness Scale from 1998, developed by Stephen Gould, contain 9 statements. One question was used to find out in what measure three different reason has influenced their decision to follow a plant based diet and another question was utilized to see how they perceive their own consume in 5 different categories.

In addition, a question was used to determine what is their recycling behavior and four more to see is they realize the fact that have an impact on the environment and to discover in what measure they believe that impact is a positive one. Furthermore, five questions were used to make a better profile of the respondent (e.g. age, income, education).

The population is formed by young people, with ages between 18 and 40, who are either vegetarians or flexitarians.

The sample size is formed by 90 persons selected based on the criteria described above. To understand the results better and to see if there is any difference between them, the sample is formed from 45 vegetarians and 45 people that are eating meat on rare occasions. For the purpose of reaching only vegetarians and those who have inclinations towards being one, we used the snowball method, which means we asked 10 persons of each category to give us another 2-3 persons that can give valid responses to the questionnaire in order to avoid null responses. The sampling method that was used was convenience sampling, because of the fact that respondents from both categories are representative for their specific population.

A single person represents the sample unit. The survey was completed online only by people who are currently living in Iasi. The survey was applied between 20th of May and 31st of the same month.

4. Findings

Hypothesis 1: There is a difference between flexitarians and vegetarians regarding the reasons for choosing a vegetarian diet. (Lye et al., 2015, pp. 432-433; Bartkus et al, 1999, pp.129-146)

To see if the hypothesis can be confirmed two variables were used. The first variable is a nominal. Respondents had to choose from two categories: a person who is eating meat rarely and a vegetarian. In what measure do you think the following reasons influenced your decision to be a vegetarian or to have vegetarian habits? Was the scale variable and there were 3 motives and people had to tell about each one how much influenced this decision.

It was used an Independent Samples T-test because this one was the most suitable in this case.

Null Hypothesis: There is no differences between a flexitarians and a vegetarian regarding the reasons for choosing a vegetarian diet.

To see if this particular hypothesis, the value that is taking into consideration is from the column Sig. (2-tailed) and if that value is over 0.05, which is the chosen level of significance then we would have to accept the null hypothesis.

According to the level of significance from the t-test for Equality of Means, in all three cases, we would have to accept the null hypothesis because all the values are bigger than 0.05 and this means that the variability in both conditions is almost the same and it is not significantly different. Therefore, in this case there are no differences between the flexitarians and vegetarians regarding the motives from which they eliminated meat from their diet.

Hypothesis 2: There is a difference between flexitarians and vegetarians that concerns the predisposition for a green life. (Fox and Ward, 2007, p. 426; Pimentel and Pimentel, 2003, p. 660)

To see if this proposed hypothesis can be confirmed it was decided to use the statements from the Health Consciousness Scale and to compare the means of each one between the flexitarians and vegetarians. It can be seen from the start that there are some differences between the means of each affirmation. Some of them are minor and others can be considered significant.

Regarding the first statement it can be said that vegetarians think a lot more about their health than flexitarians, because of a difference of 0.31. Which is not the case with the proposition about the self-consciousness, where because of a difference of only 0.02, flexitarians which responded are considered to be conscious about their health.

When asked about if they agree or disagree with the fact that they are generally attentive to their inner felling about health, the answers from vegetarians generated a bigger mean, which results in the fact that they are more attentive, compared to those who still eat meat, but rarely. Again, the mean from the vegetarian regarding the statement about constantly examining their health is slightly smaller than the mean from the flexitarians. From this it can be concluded that those who eat meat rarely are examining their health a lot more than those who follow a plant based diet.

In the next five affirmations, vegetarians have the bigger mean which suggests that they are more alert to different changes in their health, are more aware in general of their health state, the pay much more attention to how they feel during the day from a health point view and they are involved more in their health than the flexitarians. Excepting a statement where both means are equally and that is focused on noticing how they feel physically during the day.

In conclusion, the proposed hypothesis can be confirmed and difference between these two groups for the predisposition of green life can also be seen in the last row which illustrates the mean of means and there is a 0.10 difference. It is small, but there is one.

Hypothesis 3: There is a difference between flexitarians and vegetarians in their recycling behavior. (Fox and Ward, 2007, p. 426; Pimentel and Pimentel, 2003, p. 660).

In order to test this hypothesis, Independent Samples T-test was used and two variables were utilized. The first one is showing how many of the respondents were flexitarians and how many are vegetarians and the second one was a question that measured their recycling behavior.

Null hypothesis: There is no difference between the flexitarians and vegetarians in their recycling behavior.

From the mean, it can be said that vegetarians with a mean of 3.11 are more inclined to recycle than those who consumes meat rarely, who only have 2.84.

But the level of significance shows a different thing. 0.282 is higher than 0.05, which indicates that there are no differences in the recycling behavior between the flexitarians and vegetarians and therefore the null hypothesis must be accepted.

Hypothesis 4: There is a correlation between the recycling behavior and the perceived impact on the environment. (Thøgersen, 2010, p. 172; Woese et al., 1997, p. 281)

For this hypothesis we used two variables, one that is showing how the respondents appreciate their recycling behavior and the other one is presenting the perceived impact of their overall consume on the environment and to see if this hypnosis can be confirmed a Person Correlation test was made.

Null hypothesis: There is no correlation between the recycling behavior and the perceived impact on the environment.

The Pearson Correlation value is .105 and that is the actual correlation coefficient and it tells the strength of the linear relationship between the chosen variables. And in this case it is a weak correlation, but positive.

According to the level of statistical significance, it can be said that is bigger then the chosen one (.324 > 0.01) and the null hypothesis must be accepted invalidating the fact there is a correlation between the recycling behavior and impact of their own consume on the environment.

All the data are presenting a weak correlation between the recycle behavior and the perceived impact on the environment from 5 different categories: water, food, electricity, natural gas and petrol/diesel. In all the cases the correlation is a positive one.

In every table, the p-value is bigger than the chosen one of 0.01 and therefore again the null hypothesis is accepted, just like in the first correlation made to test the alternative hypothesis.

Hypothesis 5: There is a correlation between choosing a vegetarian diet and taking in account the personal impact on the environment. (Thøgersen, 2010, p. 172; Woese et al., 1997, p. 281)

It was used a Pearson Correlation to test this hypothesis and the variables are: "I believe that my consumption has an impact on the environment" and "I believe the fact that I am a vegetarian or I have vegetarian habits, my consumption has an impact on the environment".

Null hypothesis: There is no correlation between the choosing a vegetarian diet and taking in account the personal impact on the environment.

The actual value of this correlation is .492, which results in a moderate correlation between these two variables.

The level of significance showed in this table is 0.000 which is less that the chosen one of 0.01 for this test, so in this case there is a statistically significant correlation between those two variables. Also, the null hypothesis will be rejected and the proposed one will be accepted.

Hypothesis 6: There is a correlation between the perceived impact of the alimentary consume and the perceived impact of the overall consume on the environment. (Fox and Ward, 2004, p. 426; Appleby et al., 1999, p. 525)

To test this hypothesis, we used two scale variables. One is measuring how positive is the perceived impact of the respondents of their own consume on the environment. The second variable is the same but was formulated after mentioning the fact that following a vegetarian diet might influence that impact.

Null hypothesis: There is no correlation between the perceived impacts of alimentary consume and the perceived impact of the overall consume on the environment.

In this case is presented the strongest correlation of all, with a correlation coefficient of 0.683. The relationship is also a perfectly positive linear one. The level of significance is 0.000, which means that the null hypothesis will be rejected and the alternative one can be confirmed. Because the p-values is smaller than the chosen one this correlation is statistically significant and it not occurred by chance.

5. Conclusions

All the objectives set before the practical research have been met and four out of six suggested hypotheses have been invalidated as a result from various tests.

First all the, as proposed, the number of respondents from both categories is equal, therefore a more exact comparison has been made and all the answers provided were valid ones. And after the interpretation of those answers from both groups, minor differences have been discovered between flexitarians and vegetarian's behavior. In both cases females were the predominant category, which also has finished a faculty and is following a vegetarian diet or has some vegetarian inclinations for maximum 6 months.

Using the Health Conscious Scale made by Stephen Gould, it was discovered the fact that vegetarians are more conscious bout their health than flexitarians, but with a difference of only 0.10 resulted from the mean of means. The difference is not as significant as it was anticipated, but in the end there is one. Using this scale with its nine statements it has been determined the fact for almost 80% of those 90 respondents, health is very important and also they are very involved in it, by constantly examining it, observing any changes in their health or noticing their health state and how they feel physically during the day.

When asked about in what measure three different reasons has influenced their decision to eliminate meat from their diet or to reduce the quantity drastically, in both cases the principal motivation was the desire to save the animals which are raised in inhumane conditions and after that slaughtered without any mercy. Recently, advocates for animals rights have published films and videos with animals that are brutally killed and almost everyone has at least watch one, even for a few seconds and now that people are more aware of the real conditions for animals they changed their diet to save some innocent animals. The second most important reason is the health motivation, which is was expected, because the majority of vegetarians are influenced by the desire to live a healthier and longer life. And the motivation which is influencing people in a smaller

measure is the protection for the environments. Therefore, almost 85% of the respondents can be considered green consumers. Also, there no difference between flexitarians and vegetarians regarding the motivation behind following a vegetarian diet.

The majority of those who participated in the research have characterized their consumption from five different categories mostly positive, except the consumption of natural gas and petrol or diesel, which they are fully aware that even a small consumption will have a negative impact on the environment. This question was tested against the one designed to find out about their recycling behavior and no correlation was found between them, meaning that people believe that the impact from their consumption is not the same as the impact from their recycling actions.

In proportion of 95%, the respondents are aware of the fact that they have an impact on the environment in general and it is a positive one in small to big measure. And after they eliminated meat from their regime, they came to realize that they have a bigger impact on the ecosystem and they considered being a more positive one. This is also supported by two hypotheses which have been confirmed (H5 and H6) and showed that in fact there is a connection between how they perceive their impact of the overall consume before and after going vegetarian and the perceived impact on the ecosystem becomes more positive.

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Contributions and Theoretical Developments Concerning the Quality-Risk Management in Public Administration

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Abstract

The study is part of doctoral research and proposes to analyze risk as a main factor within the ISO 9001:2015 quality standards at the level of public administration, as well as the impact of implementing these quality standards on public entities. The authors perform an analysis of the quality-risk correlation in public administration, with the accomplishment of the quality of services auto-evaluation study, starting from the outlining theoretical elements, the classification as well as the analysis of risks viewed as a main element in the ISO 9001:2015 quality standards.

Key words: quality, risk, risk management, quality-risk management, public administration **J.E.L. classification:** G32, H83

1. Introduction

Within the state, public institutions have a very important role as, through them, the state fulfills all its functions. The state operates in all the economic and social fields and we can, therefore, conclude that the extent of public institutions is vast.

Over time, the state has adopted diverse policies. It has acted through public institutions, influencing both positively and negatively the development of all public administration activities. The present political and economic environment that is very dynamic as well as the ever-changing social environment allows all public institutions to function based on risk management (Gutan, 2005).

In the present context, in which society is under continuous change, increasing the quality of public administration services by minimizing risks represents one of the main objectives of the quality-risk management.

The research objectives are analyzing the current stage of ISO 9001: 2005 implementation within the public administration and defining the elements that will constitute the basis of the process-on one hand-increasing the quality of public administration, and decreasing the emerging risks that arise with the implementation of the reform strategy compliant with the ISO 9001:2015 quality standards on the other hand.

2. Theoretical background

Public institutions must be flexible and quickly adapt to all the changes that concern the path these institutions are following or redefining their priorities. Accomplishing daily tasks can be negatively influenced by risks, the latter being able to impede the achievement of specific and general objectives.

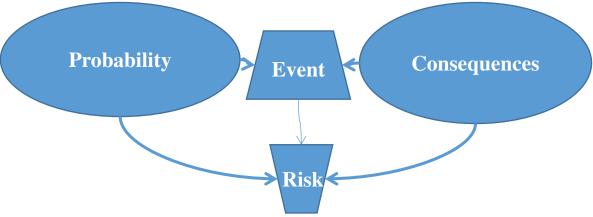
The whole responsibility in what risks are concerned belongs entirely to the public institution's management, it being the one that carries out the implementation and proper functioning of the risk management, having as its main goal the fulfillment of all objectives. The institution's leadership

can fail in controlling the risk management, in this case all the consequences being rectified by using large amounts of money and the institution suffering immense financial loss that is hard to recover.

An efficient and modern public administration that caters to its citizens' needs is desirable and can only be achieved by raising the quality bar to European standards (Plumb, Androniceanu and Abaluta, 2003).

In conclusion, we can say that the priority in the reform process at the level of public administration is represented by the new standards that are based on risk and, above all, communicating with the citizens.

Figure no.1 The relationship between probability and risk



Source: own processing

To approach risk as a whole, it must be analyzed from two points of view.

First of all, we will analyze risk from the point of view of unexpected and unwanted events that can cause loss. A concrete example would be the following one: a technical faculty launches a new study program. Launching a new study program is a very risky activity. The university and the faculty's management wishes first and foremost to identify all the negative factors that will influence the program. It will try to avoid all potential loss events. When the managing team focuses exclusively on unwanted events, we get what is called PURE RISK.

Second of all, we will analyze risk from the point of view of obtaining information that will lead to making correct decisions. Some ignorant decisions can lead to failure but the moment the institution's management has complete information it can implement decisions with a higher rate of success.

Finally, after analyzing the two points of view through which risk can be analyzed, we can draw the conclusion that both approaches refer to an opportunity and the activities will unfold in the future, meaning they will always have a certain degree of uncertainty.

3. The quality-risk correlation in public administration

In the contemporary society, public administration undergoes a continuous transformation, changes being generated by the tendency to align itself to European standards. We thus observe that all organizations need implementing a risk management as efficient as possible. Risk management has as its main goal the prevention-if possible- or reduction of unpredictable events that can negatively affect their entire activity.

Quality and risk management is a cyclical process. Finally, after the risk mitigation or elimination measures are implemented, the self-evaluation process is resumed, thus following the evolution of the risks in the organization (Nicolescu and Verboncu, 1996).

Figure no.2 Quality assurance process - risk management



Source: own processing

Services rendered by public entities must satisfy to the best of their abilities the needs and expectations of their clients. But this depends of the efficiency and economy of the public entity. We take into consideration as a strategic matter of public institutions' management the study of the permanent link between quality and risk. These two represent fundamental ideas and one cannot exist without the other. This is the reason their variations in size are co-dependent.

This dependency between quality and risk is called THE QUALITY-RISK CORRELATION.

Figure no.3 The quality-risk correlation



Source: own processing

Certain risk factors can evolve in a different direction than the one predicted by the managing team and this leads to losses that represent risk in itself. One of the components of general risk is quality risk.

An efficient management of the quality-risk correlation will ensure, by means of identifying and control, a high level of services' quality. First and foremost, the two systems are in charge of achieving the necessary conditions for the activity to be streamlined from the beginning, thereby allowing the two systems to become a way to respond to the customers' demands and expectations, to resize global risk and even to correct some actions during their development.

To manage this quality-risk correlation, first we must manage all the factors within the institution that can favorably influence the evolution of management at a global level.

To many organizations, risk and quality have become essential and inseparable priorities. This happens because the critical examination of these processes brings forth malfunctions which makes finding solutions regarding maintenance, quality, reliability and security a fundamental task. Their beneficiaries become more and more particular concerning the quality of services, giving precedence to the time spent, the comfort generated by the respective services or the effect they have on the recipients' intellect, health, safety and integrity.

At the European level, a common assessment framework of public institutions' functioning has been created and used as a self-assessment tool for all activities. People working in these institutions can identify strengths and weaknesses and, the, propose solutions for improving their activity.

The fact that this instrument is specially created to be used in public administration is a major advantage. Self-assessment pursues the continuing improvement of all activities, generates an analysis starting from the activities and results, directly involves the employees and the costs are minimal. Post-assessment, actual measures can be defined which can improve the activity within an organization and allow external feedback.

Nonetheless, self-assessment has some disadvantages such as: the employees' subjectivity, proposes measures that aren't materialized. The fact that improvements start from within the institution is a challenge but has immense innovative potential.

The first step before starting any activity is to identify and evaluate the risks that appear in order to reduce or completely eliminate them, leaving only those risks that will affect only in a small way the activity in the public institution.

Merging the quality management system with the risk management system is the foundation for the quality-risk correlation. In order to properly operate this connection between quality and risk we must firstly define new methods of analysis and measurement, analysis and quality control in risky situations. A good management, detection and treatment of these risks is necessary in the first place to maintain a constant level of quality but especially not to worsen it as it will lead to financial losses and high costs.

Quality-risk Integrated Management System is actually an unique management system which incorporates the quality management system and the risk management one, gathering with it all the organization's internal management practices.

At the level of public administration, Quality Risk Integrated Management System has the main advantage of improving the quality of services rendered to the citizens which translates to an amendment of Romanian public administration (Antonescu and Constantinescu, 1993).

4. Conclusions

In conclusion, we can say that managing risks means identifying and assessing them all and establishing an efficient way to confront them, that is, to use control methods in order to alleviate the probability of their occurence or the consequences of their materialization. At the same time, managing risks will be subordinated to the specific objectives that form an integrated, coherent and covergent system toward general objectives so that the levels of activity help each other.

Risk management means managing the threats that could negatively impact the objectives.

The necessity of implementing the risk management in a public institution emerges from the fact that uncertainty is a daily reality and, therefore, reacting to this uncertainty becomes a permanent concern of risk management and taking care of consequences does not eliminate the causes which translates to the same risks happening in the future. For this reason alone, the entity must periodically re-examine the risks it encounters and concentrate on what is important.

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A Study About Current Trends Concerning Quality and Risk Management in Public Administration

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Abstract

The paperwork is part of doctoral research and proposes to yield a study on current trends in public administration management namely the quality and risk found in public administration. Our current society is a dynamic one and this is the reason why increasing the quality of services rendered by public administration and minimizing risks is one of the main objectives of quality-risk management in public administration. The objectives of the research are: analyzing the current stage in public administration management as well as the way in which risks at the level of contemporary administrative apparatus are handled.

Key words: quality, risk, risk management, public administration management

J.E.L. classification: G32, H83

1. Introduction

There are many definitions used in specialty literature, the following being mentioned: "Quality means offering services in line with the citizen's requirements" (Maragall, 1992). The definition Juran offers: "Quality is the array of a product's characteristics that satisfy the customers' needs and, therefore, render the product satisfactory" is the closest to the economical-social landscape in our country (Juran, 1993). It is branded by the instability found in the economic and social environment and, therefore, studying and investing the quality of Public Sector services represents an objective requisite.

It must be noted that the *customer* comes first. To be able to define the quality of public services, the needs of the customer will be investigated first, his expectations being essential.

2. Theoretical background

The notion of quality of service is more recent, pursuits about it being, according to specialty literature, only a few decades old. It can be defined according to the customer's demands and requirements.

"Quality is not a new or generic concept in public administration. On the contrary, quality has been, at least implicitly, a concept in public administration ever since the establishment of the modern, administrative state, being associated with respecting the norms and procedures, formal correctness, reliability and the lack of arbitrary decisions".

The management of public administration is the science which studies how the public administration entities function, the way in which they rationally use financial and material resources, the way in which they assist the customers and offer solutions so that the whole administrative apparatus can function properly. Its main goal is to offer public administration ways through which it can solve in the shortest amount of time and with very little expense all the problems it encounters, and to perfect its means of working with customers.

Oral Previous Buyer's Advertisement communications experience needs Quality dimensions: **Accessibility Credibility** Knowledge **Trust Safety Competence** The The Communication expected perceived **Courtesy Concreteness** quality of the service The actual service

Figure no.1 Determinants in perceiving quality of service

Source: own processing

The management of public administration means organizing and implementing the provisions stated in the Constitution and other normative documents issued by public administration authorities.

Quality management in the field of public administration is essential seeing as society has evolved and the citizens more informed and exacting about the services offered to them, in the private and public sector. Unfortunately, in our country in the public sector, there has never been until recently the concept of quality management, it being found mainly in the private sector. Lately, we can notice a trend in using this concept more and more in public administration.

3. Risk management in public administration

The way in which the citizens' expectations have changed regarding public administration services determined the need of using the concept of quality management in this field of activity. In a modern society that is ever changing, increasing the quality of services offered by public administration by minimizing risks represents one of the main objectives of quality-risk management.

Seen from a historical point of view, risk and risk management are crude concepts. Starting with defining the concept of risk, scientific and technical discoveries have led to significant advancements regarding human kind's entire evolution. Over the years, the notion of risk has taken on different meanings and has extended to several structures of modern society. This modern society is based on predictions of what might happen and decisions made on these predictions.

The concept of risk appears in a wide range of applications such as environmental protection, public health, education, public administration and many others (Dinescu, Menegatos, Colcea and Albu, 2007).

TOTAL INFORMATIONS

UNCERTAINTY

RISK

Figure no. 2. The connection between risk, uncertainty and the level of information

Source: own processing

Since the Renaissance until present day we have been asking ourselves: "What is risk?" In most cases it is defined the same way as in the "Shorter Oxford Dictionary of the English Language: danger; the possibility of losing or suffering losses".

In order to approach risk we must view it from two perspectives. In risk management two concepts are outlined: risk and uncertainty.

Decisions taken in risky conditions mean knowing the risks involved and acknowledging them. In other words, one must know the probability of emerging risks. Decisions taken in uncertain situations mean acknowledged but unknown risks. To approach risky situations, a minimum of information must be known as it represents the border line between uncertainty and risk.

It can be argued that life is an ongoing risk-taking situation if we concede that any activity is presented with risks. In order to analyze these risks, a classification of them is in order. By nature of the source generating it, risk can be:

- > pure risk
- business risk
- > project risk
- operational risk
- > technological risk
- political risk

These categories of risks, previously enumerated, are not exclusive. Risks can be found in public entities' activities in different, merging forms.

Pure risk is risk that causes damages or material loss. These risks are sometimes called insuring risks because their effects can be reduced by financial safety measures. Business risk is the risk offset by the possibility of winning or losing. The manager will be involved in risky actions that imply risk-taking, but accepting these risks generates material motivation that overcomes the probability of losses or their volume. Project risk: projects are trend-setters, not being backed-up a past that can ensure some anticipation. This is why any project is a risk in itself and the biggest problems that arise during their development are those generated by associating risks with wrong estimates. Operational risk is associated with the unfolding of certain operations or activities. When a certain event affects the activity's development, risk is generated. Technological risk: When an activity concludes for the first time there is a risk that deadlines aren't met, the budget is exceeded or the objectives aren't accomplished. Political risk is the risk that appears when political factors coerce deciding factors within the management.

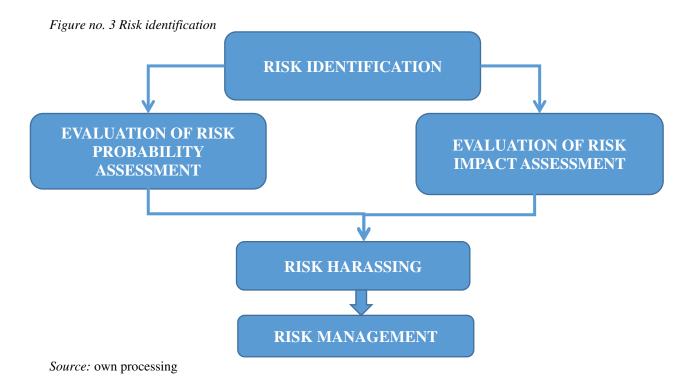
Risk management is therefore defined as a regulated process, unfolding along the duration of an activity or an entire project. Risk management implies going over five stages: planning, identifying, qualitative and quantitative analysis, establishing a risk-approaching strategy constant risk monitoring and control.

It directs all efforts toward identifying the root of all risks that can impede the project's proper development. Many specialists within the project will analyze risks using dedicated instruments and methods in order to discover weaknesses.

To create a database with all the possible risk- causing events as well as their effects, all risks must be identified. Identification has as its main purpose avoiding those situations in which the management is startled by unwanted and unexpected events as they can negatively affect the ongoing project. In practice it is almost impossible for the root of all risks to be identified.

The manager must assess the impact a risky event can have on the project. This assessment is materialized through qualitative and quantitative estimates of all the effects an event produces. The organization's management will establish risk-approach tactics by using existing methods and techniques. The main goal of these estimates is to protect the manager and the institution (Olaru, 2000).

The last step, but not the least important, in risk management is the monitoring and controlling of all risk-generating events. This stage theoretically concludes the risk management process cycle but, in practice, a lot of situations emerge that will determine resuming the process from step one.



Risk management has as its main goal identifying and evaluating risks as it is a perpetual, structured and consistent process throughout the whole institution.

It establishes at the same time responsibilities, measures of risk- prevention and minimizing, generates the periodical revising and monitoring of the project, all in order to ensure the safety and integrity of the public institution.

At the institutional level the main goal is that of identifying risks, evaluating them, minimizing and keeping them at an acceptable level.

Risk management must be integrated in public institutions because, with its help and implementing the strategy, the management will conform the organizational structure to the personnel, its processes and infrastructure.

4. Conclusions

Risk management can be defined as a process that discerns, assesses, manages and controls all the events/situations in order to ensure the institution's objectives are met. In risk management, the following components are involved: the executive organization, the general management, all the personnel because risk management pursues fulfilling the institution's objectives, identifies situations that can affect it and is the basis for generating its strategy.

Modern society, in constant change, wants to align itself to European practices as well as decentralize public administration, predicting the citizens' needs, increasing activity complexity and expanding public administration. All these objectives can be achieved only by redefining and consolidating the role risk management has in public administration.

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The Impact of Building Coaching and Mentoring Strategies on the Human Resources Sustainable Development

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Abstract

"Everyone needs a mentor". (Clutterbuck, 2001). We consider that David Clutterbuck's statement emphasizes an obvious reality of the 21^{st} century. In view of the current economic context, especially the human resources global crisis and the continuous technological evolution whose direct effect is the creation of permanent training needs by the accumulation of new knowledge and working methods, one might state that mentoring and coaching mitigate the created human resources shortage.

Key words: coaching, mentoring, strategies, human resources

J.E.L. classification: E24, J21, J24, M12, M53

1. Introduction

Below we shall analyse the Romanian labour market and attempt to highlight the impact of implementing coaching and mentoring strategies within the context of the human resources global crisis, the year 2018 representing a true challenge among the organizations from the viewpoint of recruiting and keeping skilled employees. (Train Your Brain *et al.* 2018)

Mentoring is not a new notion. Informally, this relation has always existed within the organizations. Yet, the notion grew in popularity at the middle of the 1970s – when it was considered just another training means. In the 1980s, this concept significantly evolved, being considered another knowledge transmission vehicle within the organizations from one generation to another. Thus, mentoring got to be perceived as a process-oriented relation while initially it was viewed as a product-oriented model. More precisely, it evolved from the idea of knowledge transfer to a process involving knowledge acquisition, its application and critical consideration. (Zachary, 2005, p.2)

Meanwhile, technology evolved very much, at present Internet and globalization being key components in the development of organizations. Considering this aspect, one might state that these determine the success, in the 21st century a dynamic, expanding space being created, which involves making decisions at a faster rate and in the shortest possible time.

Within the small-sized organisations, nowadays managers no longer have just job-specific duties. They acquired the role of trainers, coachers, mentors, perform recruitment activities etc. That is why, the development of coaching and mentoring programs plays an increasingly more important role at this level. The direct effect of implementing a coaching and mentoring program is emphasized by the fact that managers get to have more time, being able to focus their resources on more important aspects or other priorities because employees become less dependent on them.

The idea of having an efficient activity raises serious issues within the large-sized organizations. In the case of those organizations having different work points or that apply the "work from home" concept, obtaining effective results is difficult without adequate instruments. In this case, the objective of coaching and mentoring is to transform the group into a team because this is the way in

which the organization can obtain maximum productivity. The team is a complex group where individuals influence themselves in order to accomplish the organizations' objectives.

In the case of implementing coaching programs within the teams, coachers' task is to develop the performance of both the team and of each individual. Then, the use of certain principles and methods typical to the performance management become necessary, which is a difficult aspect for certain coachers. (MTD Training, 2013, p.25)

Emphasizing the human resources migration as a direct effect of the free circulation of the workforce in the European space, we might state that the coaching and mentoring strategies must be tuned to the economic, social and political context. Thus, those who emigrated enter a wide shadowing process, they super specialize and obtain results in the destination countries. Despite all that, when they return to their space of origin, they cannot obtain the estimated results, encountering cultural, social, economic, perception barriers etc.

2. Theoretical background

Gerard Olivero, K. Denise Bane and Richard E. Kopelman, further to a study conducted at the Barruch College, found that the training programs lead to the increase of productivity by 22%. When coaching programs are added, productivity increases up to 88%. (Olivero *et al*, 1997)

Eric Parsloe and Melville Leedham describe the general coach-mentoring process as having the following stages:

- analysis in order to become aware of need and desire. The coach-mentoring process can start only when the subjects become aware of the need to improve their own performances. Without recognizing the need and desire change is impossible;
- planning for the own responsibilization. Success is considered to be reached only when the subject assumes the own responsibility for the obtained results. During this stage occurs the opportunity of making oneself responsible;
- implementation by using different styles, techniques and skills. The success of the implementation of the coaching and mentoring strategies arises from the styles and techniques that are friendly to the environment the subject performs his/her activity into;
- assessment for success and learning. This stage involves both the coach-mentor, the subject and any other interested parties within the organization. (Parsloe *et al*, 2009, p.21-25)

Lois Zachary adds up and states that the feedback's role in this process is critical. The feedback in itself creates relations, opening new communication opportunities, stimulates participation, breaks barriers, encourages persons and creates a continuous interest and awareness. (Zachary, 2005, p.239)

Therefore, we might assert that the results of the coaching and mentoring processes produce effects not only in agreement with the initial purpose they were implemented but they contribute to a continuous, bidirectional development that has outcomes both in the organization's internal environment – the workplace, as well as in the external environment – the daily lives of the people, by developing their capacities.

3. Methodology

In this study a typical statistical method was used as research method. Based on the data collected from Romania's 2017 Statistical Yearbook, a cohort longitudinal retrospective research could be achieved – a term introduced for the first time by Karl Mannheim. In Elliot's opinion, this type of research offers a dynamic image that highlights phenomena evolution in time. (Elliott *et al*, 2008). Thus, the intention was to obtain results by exploring various cohorts along the temporal variable. (Mason *et al*, 2001)

4. Findings

Data regarding immigration and emigration was collected according to Table no. 1 underlying the graph in Figure no. 1. The workforce deficit was subsequently calculated for the period between 2013 and 2016.

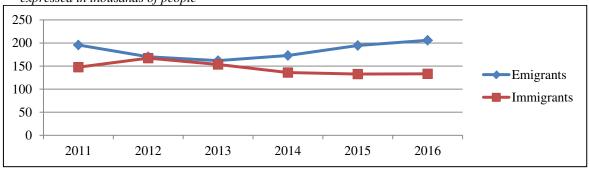
Table no 1. The flow of emigrants and immigrants caused by the change of the usual residence expressed in thousands of people

Year	Emigrants	Immigrants
2011	195.6	147.7
2012	170.2	167.3
2013	161.8	153.6
2014	172.9	136.0
2015	194.7	132.8
2016	205.9	133.2

Source: Table processed by the authors (National Institute of Statistics, 2018, 51)

As it may be seen, emigration represents a significant problem for the Romanian workforce market, as the number of the immigrants cannot compensate the flow of the emigrants, a workforce deficit being thus created.

Figure no 1. The flow of emigrants and immigrants caused by the change of the usual residence expressed in thousands of people



Source: Chart processed by the authors (National Institute of Statistics, 2018, 51)

It may be seen that in the years 2012and 2013 the indicators maintained a constant trend, values being relatively close. As of 2014, the emigrants' trend grew, the graph slope being steeper than in the case of the immigrants. The deficit started off with 8,200 people in 2013 and reached 76,300 people in 2016, the total deficit calculated for the period 2013-2016 being of 183,300 people.

Table no 2. Unemployment data

Year	Total unemployed number expressed in thousands of people	Unemployed female number expressed in thousands of people	Unemployed male number expressed in thousands of people	Unemployment female rate	Unemployment male rate
2011	660	262	398	6.5	7.7
2012	627	246	381	6.1	7.4
2013	653	253	400	6.3	7.7
2014	629	245	384	6.1	7.3
2015	624	229	395	5.8	7.5
2016	530	191	339	5.0	6.6

Source: Table processed by the authors (National Institute of Statistics, 2018, 120)

Analysing Figure no. 1 and Figure no. 2 in parallel, we find that in 2013, the graphs display an inflexion, a trend change. As organizations face the issue of staff recruitment on a shrinking market, they resort to the measure of recruiting workforce from amongst the unemployed, who do not always meet the performance criteria.

Figure no 2. Unemployment data 700 600 Total unemployed number expressed in thousands of 500 people 400 Unemployed female number expressed in thousands of 300 people 200 Unemployed male number 100 expressed in thousands of people 0 2012 2011 2013 2014 2015 2016

Source: Chart processed by the authors (National Institute of Statistics, 2018, 120)

In Table no. 3 the Gross nominal income (GNI) is detailed in order to highlight the increase in wages in order to attract the workforce.

Table no 3. Gross nominal income expressed in RON

Year	Gross nominal income for males	Gross nominal income for females
2011	2098	1848
2012	2163	1948
2013	2246	2070
2014	2412	2234
2015	2646	2453
2016	2900	2707

Source: Table processed by the authors (National Institute of Statistics, 2018, 182)

In Figure no. 3 the year 2013 appears to be special as it outlines an increasing trend in the average nominal wage.

Figure no 3. Gross nominal income expressed in RON 3500 3000 2500 2000 Gross nominal income male 1500 Gross nominal income 1000 female 500 0 2011 2012 2013 2014 2015 2016

Source: Chart processed by the authors (National Institute of Statistics, 2018, 182)

At a deeper analysis of the unemployment phenomenon, in Table no. 4 there is summarized the data referring to the unemployment rate by age, gender and environment groups in the year 2016. Thys, it may be seen that the most vulnerable segment in the case of unemployment is represented by the people aged 15 to 24 years, gender having little influence, while the decisive factor is the residence environment.

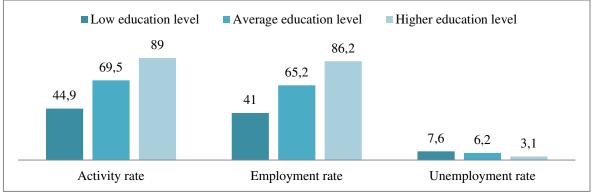
Table no 4. Unemployment rate by age, gender and residence group in 2016

	15-24 years	25-34 years	35-44 years	45-54 years	> 55 years
male	19.9	8.1	5.4	4.7	3.3
female	21.5	6.3	3.5	3.5	1.8
urban	24.9	6.6	4.3	4.0	3.5
rural	18.3	8.5	5.0	4.5	1.9

Source: Table processed by the authors (National Institute of Statistics, 2018, 119)

In the end, analysing the workforce market from the viewpoint of studies, Figure no. 4 shows that the activity and employment rate increase directly proportional with the education level while unemployment rate has an inversely proportional trend compared to the education level.

Figure no 4. Activity, employment and unemployment rate against education level in the year 2016



Source: Chart processed by the authors (National Institute of Statistics, 2018, 121)

5. Conclusions

We consider that for a sustainable development of human resources, adequate coaching and mentoring strategies have to be implemented in correlation with the needs of the target people.

From the age criterion study arises that the most sensitive segment as to unemployment is that of the people aged 15 to 34 years.

In parallel it has been considered that the unemployment rate is high among the people with low and average education level, especially those residing in the urban environment.

Knowing the fact that only 25% of the 8th grade teenagers are interested in attending the classes of technological high schools or vocational schools (Constantinescu, 2018) we might state that a strategy needs to be applied starting with the secondary school classes by unfolding specialized programs. In this case, by implementing effective mentoring programs, the proper guidance of the students who want to drop studies or emigrate might be achieved. Within three, maximum four years they would acquire a qualification, in which case significant progress would be achieved as to the decrease of unemployment among the people with low and average education level.

As to the graduates of technological high schools and vocational schools, whose basic skills in the qualification field are formed, their integration in these coaching programs becomes convenient in order to provide them with continuous training, at least by the age of 24, at most 34 years, with the purpose of reducing the unemployment rate on the age segment until 34 years.

In parallel, mentoring programs must be applied among the young attending higher studies, for guidance purposes – in the first stage, followed by coaching programs – in the second stage, for improvement.

Mentoring-ulis based on a personal relationship while coaching is based on a professional relationship. (MTD Training, 2013, p.8). Considering the two aspects, we emphasize the need of implementing mentoring programs during studies, subsequently completed by coaching programs during the professional activity.

In the case of mentoring we might refer to a general objective, related to life while the coaching refers to strictly professional aspects. (MTD Training, 2013, p.8). Thus, the beneficiaries of these programs initially become confident and stable, key elements for a quality training. Subsequently

they manged to develop their own skills in order to obtain professional performances.

In Table no. 4 we notice that the unemployment rate is highest on the age segment in which people accumulate knowledge by study and not by actually working. Thus, we emphasize the need to create mentoring and coaching programs specially adapted for the young.

This study considered the fact that the unemployment rate is only affected by the inadequate qualification of the workforce. The answer to solving this problem from this viewpoint is to implement concrete coaching and mentoring strategies. Obviously, the unemployment problem is not strictly related to mentoring and coaching. Studies must be made in order to identify other factors one might act upon, with the simultaneous implementation of coaching and mentoring strategies in order to obtain the desired result. We also consider that an additional study should be conducted that should quantify the effective contribution of the implementation of such strategies to the decrease of the unemployment rate. Therewith, studies are required that should concretely identify the changes brought about by the implementation at macroeconomic level of the coaching and mentoring strategies on segments other than unemployment.

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The Motivation as Managerial Tool for Increasing Professional Performance. National Challenges and European Perspectives

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Abstract

Increasing the professional performance of each employee is an objective that any manager has. Employee, surnamed "company heart", is the only resource capable of generating other resources, reason for which, it is especially important for the managerial act.

Even in today's society, dominated by innovation and information technology, the human resource has enormous potential for growth and development, being the only resource that can overcome its limits.

Our study aims to demonstrate the connection between the achievement of the desired performance and the use of the managerial tool called "motivation" with which the manager must obtain the perfect mix of orientation, direction, resources and rewards so that he could stimulate employees, to engage in their true capacity, using their full potential.

Key words: personnel management, motivation, decision making, performance, job satisfaction **J.E.L. classification**: M12, J28

1. Introduction

From the managerial point of view, the human resource is the most important asset, regardless of the field of activity approached, and the way the manager succeeds to get the employees to step on the road of excellence, represents the biggest challenge of the managerial act.

From this perspective, we consider that the theme of the managerial capacity to motivate the staff is of particular relevance, especially in the context in which the accent falls on the process of stimulating each employee, in order to accomplish the work tasks that lead to the realization of the organizational mission, taking also into account the satisfaction of their personal desires and the achievement of their professional interests.

Without indolence, the managerial mission is difficult, but not impossible. The manager must always be concerned about finding the right strategy to know the inner state of employees so that they can be motivated enough, in order to be able to direct and shape their behaviors for the benefit of the organization, acting under the impulse of their own feelings of compulsion.

Certainly, any behavior manifested by an individual is based on motivation, and the human conduct is usually centered on the fulfillment of goals, correlated with the need for reward.

Motivation is the internal state of employees, a state that generates and stimulates human action, while insentive act is about managerial strategies, through which the leadership of an organization can practically increase employee motivation to increase organizational performance.

In this sense, the real managerial challenge is to know the physiological, psychological or sociological desires of the employees, especially as their failure would lead to organizational tensions and uncertainties.

2. Current Literature Review

According to the new approaches specific to modern management, in the contemporary period, a new system of motivation of the personnel is wanted, in order to make possible the alignment of the professional objectives of the people with those of their organization, to ensure the desired performance at the level organization.

Obtaining organizational performance can not be achieved without a motivated staff, willing to dedicate themselves to the real capacity and invest their full potential in organizational mission accomplishment. Performance has to be achieved at both the individual and the organizational level, and the real managerial challenge is to control the "demotivation" identified and to eliminate this phenomenon that threatens organizational success.

"Demotivation is the process of alteration of motivation, generated by the lack of interest, difficulty and psychological discomfort in achieving the person's goals, in a professional context, in achieving the objectives and tasks of the function." (Levinta-Perciu, 2011).

Each manager, in his / her own decision-making act, in the proposed motivational context, must take into account both the financial motivational component (consequently applying strategies in terms of the possibilities of remuneration available to him / her: reasonable salary for the work done, bonuses, prizes, bonuses and, last but not least, a decent pension) as well as a non-financial motivational component (power delegation, professional promotion opportunities, public praise and congratulations, autonomy in execution, encouraging creativity, pleasant atmosphere generated in the organizational environment, support of good cooperation with colleagues, additional free days, treatment tickets, preferential credits, staff development facilities, training courses in the country and abroad, stability at work, flexibility of the work program, possibility of providing a service apartment, including the photo of people with outstanding results on the employees' panel of honor, gifts for holidays, birthdays or special events, free trips and so on).

From the aforementioned aspects, we believe that we must emphasize the relevance of training our own employees. "Training is required to increase the performance of employees, if employees are trained, they will be well aware of their job specifications, skills required to work well and would be able to use new technology. Then their motivation level will be increased, which will also be beneficial in enhancing performance, working environment and management behavior will also result in maximized performance that will help to effectively achieve your organization goals. Competitiveness is based on the concept of performance, which is very closely related to that of training. As every organization through out the world wants to compete against their competitors, they must increase their performance to do so. When employees are given training they feel better in their own performance and hence work harder to achieve personal and organizational goals". (Khan, 2012).

Equally, the leader needs to know and master the factors that may demotivate employees (repetitive and long-term tasks, inconsistency in decision making, unclear work instructions, unequal treatment of employees, many and unnecessary rules, imposing cumbersome execution procedures, the lack of communication and feed back, the excessive tolerance of poorly prepared staff and frequent mistakes, public criticism, discouraging communication formulas, excessive control that generates discomfort, denial of achievements, and so forth), trying to be more objective in applying the act of coordination and control.

Knowing and mastering all these aspects, a successful manager is the one who can answer the next question: "What makes the employees of any organization "go the extra mile" to provide excellent service" (Nurun, Monirul, Tanvir, & Abdullah, 2017).

From this perspective, we must also point out that any manager who claims to be successful must understand the true impact and overwhelming importance of the IT component in influencing organizational performance. "...Data and people are inexorably linked as never before. Either one without the other is suboptimal....Management's responsability today is to combine people with information on a timely basis for several purposes. Information is one key to performance management and improvement" (Gabcanova, 2011).

Both literature and practice reveal that organizations struggle to survive in the current competitive environment, and employees are also competing with each other. However, "each person has a different mixture and strength of needs, as some people are driven by achievement,

while others are focusing on security. If the manageres are able to undersand, predict and control employee behavior, they should also know what the employees want from their jobs" (Dobre, 2013), thus being able to use, in the true sense of the word, the motivation as a managerial tool for increasing performance.

3. Collection of Data

The present case study, conceived in an inductive and comprehensive manner, was conducted through an interview, applied to a number of 10 deciding subjects, with leading positions.

The study complies with the conditions of validity considering the fact that the respondents are of different ages (38 years and 68 years of age), both sexes, have high work experience (between 13 and 48 years), coming from both sides, public and business environment.

The construction of the interview was conducted using non-repetitive, unique, open-ended questions, the interviewer interacting directly with the respondents, addressing 2 directive questions, 5 semi-direct questions and 3 non-directional questions.

As far as the duration of the interviews is concerned, we mention that the average was 40 minutes, a timeframe in which, very relevant qualitative data, regarding the topic under discussion, were obtained.

Responses were provided by 6 government leaders (public institutions), as well as by 4 managers with experience in the business environment, with the mention that some respondents hold top management positions and others occupy the organizational chart the institutions from which they originate, functions classified as middle management.

4. Data Analysis and Results

Starting from the idea that the respondents, in their capacity as people assumed as decision-makers, know the notion of motivation, they are asked a first question related to its definition, taking into account the personal opinion and experience. Thus, using a qualitative type of content adapted to Van Vlock (and presented by prof. dr. Septimiu Chelcea), in our research we started from the hypothesis that motivation is a fundamental concept in psychology, also used by other sciences and which expresses the fact that, at the basis of a certain human behavior, there are a series of states of necessity, which the individual wants to satisfy, by moving to action.

Analyzing the responses of the interviewed managers, by analyzing the content of the key terms used, it was found that 8 of them defined the motivation in our sense (with a different vocabulary, but with approximately the same keywords used) and only 2 of the respondents defined insecure concept. For the purpose of the method, the answers have the following mathematical configuration:

Figure no.1. Configuration of responses. Adaptation after Van Vlock

According to the	8 persons	80%
hypothesis		
Unsure, reported to	2 persons	20%
the hypothesis	_	
Disagree with the	0 persons	0%
assumption		

Source: Own research of the authors

Using another method of analyzing the contents, respectively the trend analysis, we analyzed the following hypotheses:

Hypothesis no 1: Motivation is a managerial tool for increasing professional performance

Hypothesis no 2: There is a direct connection between organizational culture and motivation of staff, in order to increase professional performance.

Figure no.2. The trend analysis

$$AT = \frac{F - D}{L}$$

AT - the trend analysis index

F -number of favorable units

D- number of unfavorable units

L-the number of units related to the theme

T-total number of units

Source: (Stefanel, A., Content Analysis)

Concerning the first hypothesis discussed, it was found that the persons in senior management interviewed emphasized that motivation is indeed a managerial tool for increasing professional performance, confirming and arguing the hypothesis, compared to the demonstration of the trend analysis in figure no.3.

Figure no.3. The situation of the responses reflected by the analysis performed

```
Total number of units - responses ticked by respondent: T = 10

Number of favorable units: F = 7

Number of unfavorable units: D = 1

The number of units related to the theme: L = 1

So, AT (alternative 1) = (7-1)/1 = 6.0

AT (alternative 2) = (7-1)/10 = 0.6
```

Source: Own research of the authors

When questioning the second hypothesis, the 10 interviewed respondents expressed for the most part, confirming the hypothesis and thus highlighting the causal link between organizational culture and motivation of staff, in the context of increasing professional performance, bringing up that private sector individuals have expressed an unfavorable point of view, considering that this link is somewhat more theoretical than practical.

Figure no.4. The situation of the responses reflected by the analysis performed

```
Total number of units - responses ticked by respondent : T = 10

Number of favorable units : F = 6

Number of unfavorable units : D = 3

The number of units related to the theme :L = 1

So, AT (alternative 1) = (6-3)/1 = 3.0

AT (alternative 2) = (6-3)/10 = 0.3
```

Source: Own research of the authors

To highlight the managers' view of the extent to which their subordinates are "happy at the workplace", and with regard to their agreement or disagreement on the expression "money is the magical solution of motivation", but also to the expression "public recognition of success and outstanding results is a solution of exceptional non-financial motivation and at the expense of any manager", the oldest form of content analysis, named thematic-categorical, was used, which consists in the realization of a transversal cutting of the discursive corpus (a fragment of the discourse) and its analysis, in the sense of favorable, unfavorable or neutral direction, which the respondent has in relation to the proposed subject.

Figure no.5. The attitude scale used in analysing the hypothesis

```
very favorable +3 __+2__+1__0 __-1__-2__-3 very unfavorable

The zero point (0) -the neutral attitude to the hypothesis assertion
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Source: Own research of the authors

Next, we present the scale used in analyzing the three hypotheses we have referred to earlier and with the help of which, all the registered response units could be analyzed and evaluated, and the algebraic sum was then calculated.

Concerning the discussion of "happiness at work", the sum of the answers obtained $\Sigma = +6$ and given that the number of respondents is 10, then the attitude according to the scale used is in the range [0, +1], the attitude being A = 0,6, thus less favorable to "the happy employees at work".

Regarding the expression "money is the magical solution of motivation", the results of the analysis were as follows: $\Sigma = +11$; A = 1,1. With the interval [+1, +2], we find that the respondents were oriented in the direction of expression confirmation, but, however, we mention that they considered that money is not the only solution (we mean 70% of respondents).

Taking into account the fact that in the diagnosis carried out by the third hypothesis listed in the categorical thematic method, the following results were obtained: $\Sigma = +18$; A = 1.8. The interval [+1, +2] shows that the respondents expressed favorably that the public recognition of success and outstanding results is a solution of exceptional non-financial motivation and at the expense of any manager, although they all point to a a series of shortcomings such as: the lack of enough time for meetings dedicated to the topic and prior discussion of the relevance of successful work for the organization's overall objectives.

Another open question addressed to the interviewees was the way they motivate the staff they are coordinating. In this case, we consider it particularly relevant to detail the responses in the way they were expressed, stressing that the only approach that all decision-makers have agreed on, was the pecuniary one. In addition, the following have also been mentioned: the demonstration that the manager has confidence in the employees' profession, by including them in imported projects; supporting employees in exceptional situations when they faced with particular personal problems; ensuring a pleasant work environment and appropriate conditions; leadership through the power of personal example, the manager being also part of the team; encouraging employees to overcome failures; the granting of special allowances in exceptional circumstances; righteousness and equal treatment of employees; appropriate communication, ensuring transparency.

Another method of research used and adapted by Jean Claude Abric, it uses cognitive analysis on the one hand, and socio-linguistic, on the other, highlighting the constructions that represent the central node of communication while also referring to the peripheral elements.

In this regard, a study hypothesis was put forward, which was analyzed using three different questions in the structure of the interview, positioned in such a way that the subjects did not necessarily notice the logical connection between them. The hypothesis studied is as follows: "Managers consider that their subordinate staff is mostly performing, and one of the most relevant methods emphasized to achieve this goal was to encourage employee training, along with many other methods that have led to a high yield and competitiveness in the specific field of activity."

From this perspective it is mentioned that the hypothesis was confirmed by the analyzes, made on the answers formulated and interpreted with precision and from the detailed study of the key words and expressions used by the respondents resulted the following conclusions, specific to the Abric method:

Figure no.6. The distinction of the elements of the central node and of the peripheral elements

Central node:

Peripheral elements:

-63.5% of the employees are considered truly performing.

- -Training is essential to achieve professional performance.
- Training courses related to novelties in the field of legislation) are very relevant.

-the acute need for capable trainers and willing to share their knowledge;

- the need for exchanges of experience;
- -retraining courses are encouraged as a back-up option;
- job descriptions must include tasks related to organizational objectives and individual improvement needs;
- due to lack of organizational financial resources, employees pay their own course fees, or they sign up only for free courses).

Source: Own research of the authors

The study reveals once again that determination lies with employees and motivation lies with managers, both of which are complex and individualized, which is why there can not be, either a theoretical or a practical one, a unique success formula, which can be applied as a major tool for increasing professional performance.

However, the interconnection of the three concepts is certain, the logical thread of the elements involved demonstrating that motivation is a technique that governs the action to be taken, taking into account that the internal motivation of the employee may be the desire to be performing, and that performance may even be the expectation of the employee, not just the employer's desire.

5. Conclusions

Thus, we can conclude by pointing out that employees are the wheels of the organizational mechanism, without which its operation could not be possible, neither theoretical nor practical.

Wheels are powered by determination energy –,,internal motivation", and the mechanism must be maintained continuously, sustaining it permanently, using the appropriate substance: ,,external motivation", used in controlled quantities to perform.

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Theoretical and Practical Approaches Regarding Emotional Intelligence

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Abstract

We notice in everyday life at school, work, on the street, eminent people with special education who make remarkable efforts, while others that are less obvious qualities bloom. In most cases, the answer is closely related to the concept of "emotional intelligence". Even if it is harder to measure and ascertain in comparison with accumulated experience or IQ, its force cannot be denied. Unfortunately, as a society, we continue to put more value on self-improvement, experience, intelligence and education. It would be great if among this things we an understanding of our emotions and those around us, but also to realize the major impact that emotions have on our lives every day. This paper aims to highlight the reasons why emotional intelligence is considered to be the most important basic competence that determine success in personal or professional life.

Key words: emotion, skills, IQ **J.E.L. classification:** M10, O15

1. Introduction

Emotional intelligence is a different kind of cleverness. It is the power to act under pressure, the confidence to build fruitful relationships, the courage to make decisions and the vision to create the future. Emotional intelligence is a skill that can be learned. It consists in the power to sense feelings and to identify their source. Emotional competence is the demonstration of self-sufficiency in social transactions that require affectivity. Self-sufficiency here is used in the sense that one person believes that he or she has the ability and skills to achieve a certain purpose (Bar-On, 2011).

The five dimensions of emotional intelligence (self-knowledge, self-motivation, self-regulation, social consciousness and social skills) correspond to 25 emotional skills, but no one has it all. But to achieve remarkable performance, we need to be strong in just a few of these skills - around six - and to be "scattered" in all five areas of emotional intelligence (Goleman, 1998).

Emotional intelligence is about the awareness of one's own emotions, the mastery of these emotions (by controlling the generating causes), the inner motivation to evolve, doubled by initiative, optimism and dedication, empathy (the ability to understand emotions and feelings of others) and last, but not least, of social skills, meaning the ability to establish positive relationships, to cooperate and collaborate with others, to solve conflicts, to capture the attention. When we become aware that not only reason leads us to life, that personal feelings and compatibility guides others just as it guides us too, appears the superior understanding of the position in the groups in which we are part and the image which we are projecting outwards can be better managed.

2. Theoretical background

Even though over time has been some discussion of emotional intelligence, it has not yet been fully enforced. The term intelligence has a dual meaning: on the one hand, process of assimilation and processing of variable information, for optimal adaptation, on the other, of aptitude, residing in operational structures with certain qualities (complexity, flexibility, fluidity, productivity), which

ensures the efficiency of the conduct.

Emotional intelligence is self-awareness, self-consciousness, social sensitivity and the ability to communicate successfully with our fellows. It is that state of synchronization and social opportunity and manifests itself through the courage to recognize our mistakes, to express differences and to respect them (Everac, 1967). Other authors define emotional intelligence as "the ability to perceive and express, to feel emotions in thinking, to understand the prism of emotions and to regulate the emotions of oneself and others" (Caruso, Mayer, Salovey, 2000).

It can be said that intelligence brings precision and objectivity, but people characterized by these attributes are seen and described by others as inexpressive and cold, detached, unfriendly. Instead, a person with high emotional intelligence is perceived as being sympathetic, communicative, sociable, funny, natural and detached, pleasant and working. Most importantly is that, just like academic intelligence, emotional intelligence can be educated and developed. The first step is the recognition that we are people led by feelings, that others like us are allowed to be mistaken or subjective (but not biased). Another step is to adapt our communication to those we communicate with.

3. Emotional intelligence and IQ

The five components of emotional intelligence widely accepted as primordial are: *self-consciousness*, namely the ability to meditate on our own lives, to enrich our knowledge of ourselves and to use this knowledge either to improve ourselves, or to compensate our weaknesses; *personal motivation*, which refers to what really urges people to act - vision, values, goals, desires and passions that are considered as priority; *self-balancing*, that is the ability to lead ourselves to the fulfillment of our vision and value; *empathy*, namely the ability to sense the feelings and opinions of those around us about the world around us; *social and communicative skills*, which relate to how people try to solve problems, find creative solutions and interact optimally to achieve the shared goals.

Academic intelligence has little to do with emotional life. Many people who have a high IQ can fall prey to terrible passions and uncontrolled impulses. Daniel Goleman says that IQ, in the happiest case, contributes 20% to the factors that determine success in life. The remaining 80% remain prey to other forces. Most of the places someone finds in society are determined by factors unrelated to IQ, ranging from social classes and reaching to luck.

Several studies of Daniel Goleman show that emotionally-aware people - who know and master their feelings and who effectively understand and address others' feelings - are advantageous in any area of life. Those with well-developed emotional capabilities are even more likely to be content in life and efficient, to master the mental habits that underlie their own productivity. On the other hand, those who cannot control their emotional life and lead internal battles end up sabotaging their ability to focus on work and on clear thinking (Goleman, 1998).

4. Acquiring fundamental emotional elements

Temperament can be defined according to states that fit us into a certain category of emotional life. To some measure, we each have a certain favorite emotional range; with temperament we are born thanks to the genetic lottery, which has tremendous force over the life. Every parent has observed this: from birth, the child will be calm and quiet or capricious and difficult. The question is whether this emotionally determined biological set can be changed through experience.

The clearest answer to this question comes from the Jerome Kagan's study, a development psychologist at Harvard University. Kagan claims there are at least four temperamental types - shy, daring, merry and melancholic - and each is due to a different pattern of brain activity (Kagan, Snidman, Arcus, 1992). The impact of parents on emotional training is emerging all the way from the cradle. Dr. Berry Brazelton, Harvard's eminent pediatrician, has a simple test to diagnose the profile that a child will have in life since he was born. He gives an eight-month-old baby two cubes and then shows how he wants to arrange them. A child hoping for life, who trusts his abilities, will take the cube, put it into his mouth, rub it on his head, throw it to a side of the table, whatching if someone can recover it for him. Only after that he does what he has been asked for - that is, he puts

the cubes on top of each other. Instead, children from gloomy, chaotic or negligent homes go through these small tasks in a way that marks the fact that they are already expecting to fail.

The difference between the two perspectives - of the children who are confident and optimistic and of those who expect to fail - begins to take shape from the early years of life. Parents, from the perspective of Brazelton, need to understand how they can, through their actions, help generate confidence, curiosity, the pleasure of learning and understanding the limits, which has great benefit to the success of the child's life (Brazelton, Sparrow, 1992).

5. Research on emotional intelligence among students. Research results

Most of us are controlled by emotions and we do not have the skills to find and use them for our own benefit. Awareness and understanding of emotions are not taught at school. We enter on labor market by knowing how to write, read and relate to sets of knowledge, but we often lack the skills to handle our emotions when we are caught up in the challenges we face. Good decisions imply much more than factual knowledge. They are taken with self-knowledge and emotional control when it is most needed.

This research is based on descriptive analysis and the questionnaire was used as a method of investigation. The purpose of the study is to enhance the way emotional intelligence manifests itself among students from "Ovidius" University of Constanta, based on the components of the concept of emotional intelligence. The study was conducted on a sample of 100 people (students of the Faculty of Economic Sciences) of which 62 are women and 38 are men. Of the 100 students who answered the 18 questions of questionnaire, 77 came from urban environment and 23 from rural environment. Young students have between 18 and 32 years old.

Unfortunately, we all have many moments in which we lose our temper, in which we cannot master our emotions. At this moment of emotional blockage it is very important to realize what is happening to us, in order to immediately find an emotional balance. How much the students realize about this state of mind is shown in figure no 1. The ability to prioritize is essential because it can help you bring life to order, reduce the stress that presses you at work or in everyday activities and to be successful. How much prioritization is given to important activities by students from Economic Sciences it is shown in figure no 2.

Figure no.1. Loss of temper

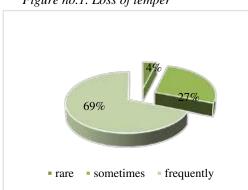
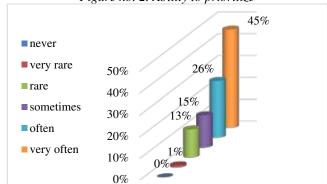


Figure no. 2. Ability to prioritize

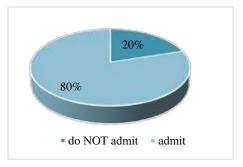


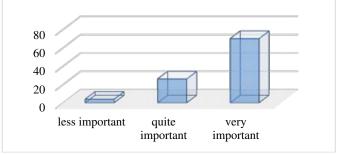
Source: own processing based on the results of the questionnaire

We face stress when we are in difficult or high-intensity situations for us. Emotional blockages, increased irritability, loss of interest, emotional instability, depression are just a few responses to stress. If the young people surveyed admit when they are stressed, the data are presented figure no 3. 70% of the interviewed students consider it very important to be aware of their own emotions at all times. This is essential to be flexible and to steer positive behavior into delicate situations.

Figure no.3. Stress recognition

Figure no. 4. Awareness of own emotions

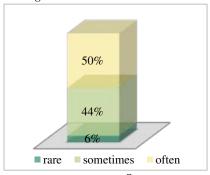




Source: own processing based on the results of the questionnaire

Emotions have been known to us since the early moments of our lives. They give us the mood. Through the power of controlling the states of mind, we, can self-motivate, recognize and understand our own states of mind, accept the others' states of mind and avoid as far as possible the negative states around us. How much the students can consciously control the mood it is shown in figure no 5. It is important to know why you have emotions. Either you are afraid that you will not be liked by others, whether you will be perceived as annoyingly insistent, we do all sorts of problems that give birth to negative emotions and stress us. Knowing the source of your fear is an important part of the process of overcoming the obstacles you encounter in a discussion. It is equally important for young economists to analyze the emotions of the interlocutors to find out what they really think (data presented in figure no 6).

Figure no.5. Mood control



Source: own processing based on the results of the questionnaire

Anxiety is the emotional state lived in various life situations from early ages. It is based on a state of restlessness, a diffuse feeling of insecurity, discomfort, in which we expect something bad to happen to us. If the students know how to explain why they are in an intense state of anxiety, it is represented in figure no 7.

Figure no.7. Reason of anxiety

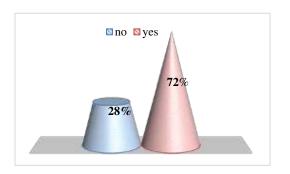
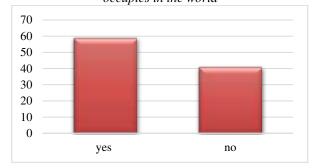


Figure no. 8. Reflecting on the place human occupies in the world



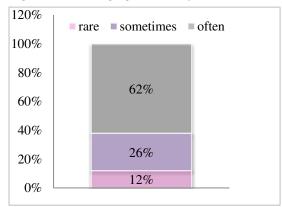
Source: own processing based on the results of the questionnaire

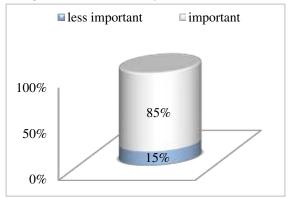
The following figure shows whether the students allocate time to reflect on the place they occupy in the world. Thus, 59% of students reserve their time frequently - once every 2-4 weeks – to analyze their place in this world. It can be noticed the small difference in the percentage between answers.

Happiness, euphoria, anguish, indignation, sadness, depression, tension, anger, agitation are states that are within everyone. It is absolutely natural to move from one state to another. The chance for students to transcend from euphoria / happiness to upset / indignation and vice versa in a relatively short time is represented in figure no 9. For the next question, 85% of the students questioned think it is important to insight the emotions of interlocutor in a discussion. It is very important to know the source of the fears or reasons that make the others near us happy. So we can handle the game in a favorable situation for us. Inadvertently, no matter how much we to abstain from this, emotions are expressed. Whether they are positive or negative, through mimics and expressive gestures, we express what we think.

Figure no.9. Changing the state of mind in a short time

Figure no. 10. Intuition of interlocutor emotions



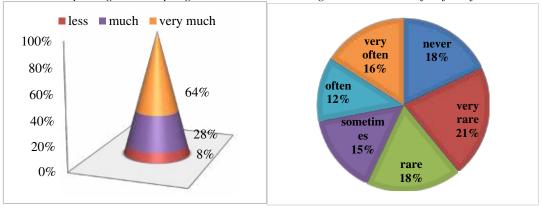


Source: own processing based on the results of the questionnaire

The way we respect and accept ourselves as we are, determines not only the respect of those around us, but all our results in everyday life. To what extent is the young people surveyed, observed and accepted their defects and their failures, is shown in figure no. 11.

Figure no.11. Respecting and accepting who we are

Figure no. 12. Lack of self-confidence



Source: own processing based on the results of the questionnaire

The feeling of inferiority is considered by specialists, the backbone of the lack of confidence. This feeling of inferiority is found in each of us, but in different proportions. Figure no. 12 highlights how much the lack of self-confidence students feel.

6. Conclusions

The study revealed that there is a close link between young economists and emotional skills, which supports the idea of researchers that social, emotional and relational skills (emotional intelligence) are factors of school success and success in life.

The following are the conclusions of the application of the questionnaire among the students: 31% of the young economists do not realize immediately when they lose their temper, 14% of the students do not give priority to the important activities at the workplace/daily activities, 20% of students surveyed do not recognize when they are stressed, 70% of young economists consider the awareness emotions a very important element for them, 50% of economics students fail to consciously control their own mood, 79% of the students surveyed frequently analyze the emotions of the interlocutors to find out what they actually think, 28% of the students do not can explain the reason why they have an intense anxiety state, 41% of young people interviewed do not have periodic time to reflect on the place they occupy in the world and the vision of life, 62% of those questioned often experience a shift from euphoria / happiness to anger / indignation and vice versa in a relatively short time, 85% of young economists believe it is important to insight the emotions of the interlocutor in a discussion, 64% of the students surveyed have a sense of respect for themselves and accepted them as they are, including their defects and inadequacies, 43% of young people have an increased sense of inferiority or lack of confidence in them that they try to hide.

The study concludes that young people need understanding, emotional support and communication from their parents. This will make adolescents feel safe and encourage them to learn from the experiences they live, which favors the development of autonomy.

The study shows that emotional intelligence stimulates and stimulates passion and enthusiasm; besides, it supports motivation and devotion. Young people who have developed emotional abilities know better, know more empathy, increase self-esteem, and enjoy more harmonious relationships.

The study shows that emotional intelligence stimulates passion and enthusiasm; besides, it supports motivation and devotion. Young people who have developed emotional abilities know themselves better, know more empathy, increase self-esteem and enjoy more harmonious relationships.

The results of the study confirmed the idea that emotional and social skills can and must, be taught in school as this will help pupils have a better childhood, better incorporate into society and adapt more effective in the professional environment. Emotional intelligence will also support them to be more effective, to think positively and to communicate affective.

We can conclude that the emotionally intelligent teenager profile is based on the following defining elements: social responsibility, awareness of emotions, emotional independence, recognition of own and others' emotions, channeling and managing emotions, managing interpersonal conflicts, assessing own state of mind, expressing his feelings, stress indulgence, control of impulses, defeat of negative impulses, generosity, openness to new ideas, self-respect, tolerance, self-confidence and self-satisfaction.

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Leadership in Cultural Institutions

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Abstract

Leadership is the influence that some people exert on others in order to achieve their goals in an organizational context. Leadership is a complex phenomenon that touches almost all organizational, social and personal processes. It depends on a process of influence in which people are inspired to achieve certain goals through personal motivation.

The present article represents a brief review of leadership in cultural institutions, so in the first chapter I will present the types of leadership, the second key elements of the transformation for the exchange of knowledge and, lastly, the adaptation of leadership in the cultural field. The method of research used is theoretical.

Key words: leader, cultural project, cultural organizations,

J.E.L. classification: Z1

1. Introduction

Leadership is primarily leadership (in terms of leadership activity), but at the same time the ability, the ability to lead, a community or a group of people involved in an activity, in our case the cultural

When we speak of leadership in cultural institutions, due to their classification, it is necessary to establish the *organizational context* to which the classical definition of leadership refers. Cultural institutions need to be categorized from the perspective of products and services provided by them, there are cases where the *cultural institution* can be summed up in a dance group of only two or three people. Therefore, leadership, or more precisely the leadership role, must be assumed by one of these people who will follow will establish the action plan and influence their partners in achieving their goals.

2. Theoretical background: Types of leadership

Specialty literature distinguishes between two different leadership styles, namely:

- Leadership style based on consideration and direction style in which the leader is approachable and concerned about the fate of subordinates, but also where directioning helps them to achieve the goals;
- Leadership style based on rewards and punishments a style that assumes that the leader subordinates to his compliments, material benefits and the special treatment he deserves, but also where the leader can move on to the admonition and the subordinates.

Of course, both leadership styles could also be successfully applied in the cultural field. However, from the point of view of the creative process and the implications it implies, the first more comprehensible approach would be more advisable. Of course this leak does not exclude, even recommend recompense and sanction staff.

The sanctioning of leaders in the cultural field can take place when, as a result of the evaluation of the work done by the staff implementing the creative process (eg, the ballet band), the leader believes that it is necessary to differentiate those who submit more much or less effort to achieve

the goals. At the same time, rewarding in cultural institutions is probably the most important coordinated because we are talking about a specific, creative person who needs special working conditions.

When we refer to the notions of leadership and cultural institutions, the question arises: "Why is leadership and a culture based on knowledge important?"

There are some key features of an organization with a strong culture of knowledge sharing, a cultural organization that understands and stimulates creativity:

- Everyone in the organization understands the strategic importance of knowledge;
- Leaders promote collaboration and knowledge sharing throughout the organization;
- Leaders celebrate the exchange of knowledge;
- Sharing knowledge is embedded in the organization's vision and strategy. (https://study.com/academy/lesson/what-is-organizational-culture-definition-characteristics.html)

The culture of an organization is thus a complex interaction of several factors, including organization history, leadership style, external environment, financial situation, governance structure, mission and values. It is a condition of a cultural organization that can hinder the belief that *sharing knowledge is power* and constrains efforts to make knowledge accessible to all who can contribute to or use it in the creative process. Knowledge therefore flows best when people trust each other and gain the conviction that they will overcome both the resistance to seek advice and the resistance to sharing personal experiences with others. (Câmpeanu-Sonea and Sonea, 2011, p.50-51)

There is no tangible and well-defined leadership plan for creating a cultural organization in which knowledge is shared, but experience from other domains shows that this will not happen without strong leadership and a supportive environment geared to guiding people's behavior which make up the organization. After all, knowledge sharing and learning are social activities. Ensuring a positive atmosphere for sharing can lay the foundations for a change of culture. This will not happen overnight, but management can provide fertile ground for this to happen. These things are leadership in cultural institutions of any kind.

The way people start to change their behavior will be related to how the organization recovers them, recognizing their efforts to reward and motivate them. The explicit and implicit expectations of senior management will determine whether people will voluntarily share their creative knowledge as part of their daily work or see it as a secondary responsibility, or indeed see it as a threat to their success by choosing to pursue an individual career. Any effort to include the sharing of knowledge without the commitment of the organization's top management is likely to fail. (Deaconu, Podgoreanu and Raṣcă, 2004, p.45)

3. Key elements of transformation for knowledge sharing

They are composed of five key elements of any workplace transformation program in an organization and knowledge sharing.

- establishing vision and expectations from the manager;
- designing knowledge sharing initiatives designing the strategy;
- incentives for strategy implementation updating organizational and staffing policies and understanding of the creative process;
 - providing an appropriate evaluation and rewarding program;
 - understanding the motivation behind creative work, stimulating it.

The exchange of knowledge begins at the top of the cultural institution, even the managers who support it, there are opinions that even they would need coaching in this respect. (Deaconu, Podgoreanu, Rașcă, 2004, p.46)

Some knowledge exchange practitioners also considered it useful to start a pilot project first. Some practitioners who share knowledge have also considered that it is useful for the cultural environment that the cultural institution involved in the creative process first starts a pilot project to demonstrate its capabilities before requesting the full attention of the public and the whole the budget it may have.

Leaders in the cultural environment must not necessarily be managers of cultural projects. They are the ones who aim to achieve the *general picture*, are those who foresee what is necessary and have chosen the best alternatives to put into practice the creative process (eg in a theater the *creative process leader* can be considered the director of the theater, even if he does not always get involved in the staging of various performances or in their promotion.

It is up to the leaders of the cultural organizations to create the vision, mission and long-term strategies of the organization, in parallel with the motivation of the staff to carry out various day-to-day activities. In addition to human resource management such as motivation, conflict resolution, clarification of tasks for individuals and groups, facilitating relationships and rewards, the leader can also take on creative tasks by leading the teams that are in charge of the process of creating .

Due to the limited resources that the vast majority of cultural projects benefit, the leadership role is one of double importance, namely the leader of the project is the leader of the organization itself, or the leadership of the project is shared between the leader of the organization and the project leader (eg choreographer). In practice, this leadership creates many types of tension between these two types of leaders. Even if the artistic leader has a leading responsibility for artistic decisions, the fact that the organizational leader is almost always a cultural specialist, he also has the opposite opinion. All the more we talk about the creative process, it causes at least one of the leaders to give up the pressure of time and limited resources being prone to interrupt the creative process. (Duret and Vladimirescu, 2014, p.49)

The size of cultural projects plays an important role when deciding on leadership responsibilities in cultural institutions. The personality of each individual matters in this case, and the importance of leadership lies in how it relates to the means of solving potential conflicts. In addition, when referring to cultural projects of skill, they can take multiple forms, requiring skills in several fields, but also collaborations with different actors involved in the creative process. (Duret and Vladimirescu, 2014, p.50-51)

Thus, the leader of cultural projects must have a set of qualities such as:

- The passion for the domain and for the commercial success of the project
- The passion to understand the different types of people they work with
- Personal will, determination, integrity, fairness, and dedication to resolve potential tensions.

Unlike cultural project leaders, the leaders of cultural institutions have, besides a set of skills necessary for the management of the creative process, a set of skills aimed at opening up the organizational environment.

4. Aspects of adapting leadership in the cultural field

Whether we are talking about the importance of human resource management, or that we relate to the role of leadership in cultural institutions, the assessment of creative staff must take into account the distinction between the individual and the group.

Old models of leadership are no longer valid, as art is the same as the other fields in a constant change, so leadership must be adapted to the environment in which the cultural institution operates. Aspects related to the adaptation of cultural leadership can be reduced to a set of 3 questions that the leader of the creative process must answer:

- 1. What should be done to attract the audience? When the creative process is successful, the leaders of cultural institutions have the opportunity to control change, and have the opportunity to influence the culture's *tastes of the public*. However, the main difficulty of the leaders of today's cultural institutions are to compete with technological advances and the development of social media, which take away the precious time of potential art consumers.
- 2. How can this actually be achieved? In the literature, a basic principle is that "to attain perfection, the greatest source of inexhaustible sources is leadership from the middle down. But people use old methods; where knowledge is power, and initiatives are blocked." Therefore, all the more so as we speak of artists with a high level of creativity, the leader must trust and take into account the opinion of all those involved in the creative process. (Duret and Vladimirescu, 2014, p.78)

3. Why would staff want to do this? - Previously we talked about the characteristics of the creative staff, where I mentioned that he is a very passionate person in the field in which he works, therefore the most rewards that can be attributed to this type of staff are: understanding and rewarding for their work (even if it is not yet actually done), but above all the confidence in the capabilities and the ambition to bring the creative process to completion. (Duret and Vladimirescu, 2014, p.79)

5. Conclusions

Anyone can become a leader, if there is a will and wants to make the effort to become a leader. But we must not forget that there are no perfect leaders: characteristics can be changed or can be reduced, leaders can be *created*, they must not be *born*. The biggest mistake of a leader is not to see diversity. If there is no creative team, there will be no creative brainstorming and the beneficiaries will also be removed. Leadership is a science-based art. Without knowledge, we cannot be effective leaders, but it does not matter the studies and books read, if leadership is not an art, we will not be molding our behavior to be the best in the art of leadership. Like any other art, leadership evolves and changes as it changes personality.

We believe that leadership is the process that transforms management into art. However, there are certain difficulties when the leader does not have the formal power and there is the possibility of conflict between him and the manager or the management of the respective organization. That is why the maximum efficiency of leadership is reached when the leader fulfills the status of manager or the manager also has the qualities necessary for the leader. The differences between the manager and the leader must be replaced by a new paradigm of the leader-manager, so that the leader is no longer just a resource manager but a leader concerned with harmonizing the group's expectations with the dynamics of tasks to fulfill from the traditional way of administration to the delicate organization in which people represent the most valuable asset.

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Ecotourism in Valea Vaserului

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Abstract

Throughout this paper we study the eight principles of ecotourism by combining the theory with the observations made at the site, in Valea Vaserului, during two years, 2017 and 2018, which had a major impact on the increase of tourism and especially ecotourism on the local level. Each of these principles is analyzed in the light of the details observed at the site and it is demonstrated that in this area they are fully applied and ecotourism turns from tourism for a small number of tourists into mass tourism, mass ecotourism.

By combining economic achievements with people's desire to visit and preserve nature, ecotourism is one of the most important directions of tourism development. As a consequence, we need to create more areas similar to the one we are studying in this article, which is an example of good practice in ecotourism.

Key words: tourism, ecotourism, sustainable development

J.E.L. classification: Q01, Q 56, Q 57

1. Introduction

One of the most beautiful areas in Romania in which tourism and more precisely ecotourism has increased substantially is Maramures, that includes a mountainous region: Oaş Mountains, Gutâi Mountains, Țibleş Mountains, Rodnei Mountains, Maramures Mountains; depressions crossed by rivers such as Tisa, Vişeu, Ronişoara, Iza, Mara, Cosau, Săpânța; flora with rare plants: yew tree, edelweiss, Arolla pine, snake's head, larch; fauna: deer, buck, wolf, fox, bear, wild boar, marten, capercaillie, golden rooster, huchen; caves full of non-ferrous ores; architectural vestiges of great value: wooden churches, Maramureş houses; customs and cultural traditions. Given this both natural and anthropogenic wealth, Maramureş is a large area to explore in terms of tourism and it is for this reason that from this part of the country we will take Vişeu de Sus and more precisely Valea Vaserului as an example of ecological tourism since a day's visit to a natural area with special landscapes that brings economic benefits to the people and does not disturb the environment is also thought to be ecotourism.

Tourism development in Maramures has also been the result of the development of tourism based on the steam train in Valea Vaserului which is one of the attractions of the area.

2. Theoretical background

The concept of ecological tourism or ecotourism was defined in the literature in 1988 during the Belize Program initiated by Rio Bravo Conservation & Management Area: "ecotourism is a form of tourism with low impact on the environment based on its appreciation and where a conscious effort is made to reinvest an adequate amount of the revenue to conserve the resources on which it relies. It is a form of sustainable tourism that provides benefits to the local population". (Dragu, 2015, p.9).

UCN (World Conservation Union, now) defined ecotourism in 1996 as: "environmentally responsible travel and visitation to relatively undisturbed natural areas, in order to enjoy and appreciate nature (and any accompanying cultural features - both past and present) that promotes conservation, has low negative visitor impact, and provides for beneficially active socio-economic involvement of local populations" (UNEP, 2002, p.9).

Another definition shows that "Ecotourism is a form of tourism that takes place in natural areas, whose purpose is to learn about and appreciate local nature and culture, which involves conservation measures and ensures active involvement generating benefits for the local population." (Nistorescu .et al, 2003, p.76)

In recent times, the Ecotourism Association in Romania, which is a partnership for nature conservation and tourism development in Romania made up of administrations of protected areas administrations, tourism associations, local development and nature conservation non-governmental organisations, governmental organisations, nature preservation projects and tourism agencies has defined ecotourism as "a form of tourism where the main motivation of the tourist is to observe and appreciate the nature and the local traditions related to it in accordance with the following conditions:

- to contribute to the preservation and protection of nature;
- to use local human resources;
- to have an educational character, to cultivate respect for nature the sensitization of tourists and local communities:
- to have a minimal negative impact on the natural and socio-cultural environment." (AER, 2011).

Through its new concepts, ecotourism ensures the sustainable development of areas involving tourists and locals to preserve a clean environment, creating added value by preservation of cultural heritage and economic growth.

3. Methodology

This article is based on the field research method, a cross-sectional method that uses as a criterion of the relation to the time factor and is based on observation.

The observation was made during several days in 2017 and 2018, during different months, in order to have an overview, as it is known that during the summer months of June-August and especially in August the flow of tourists to any destination increases, due to the fact that in many companies the employees are on vacation only in these months so the flow of tourists during these months depends on the time off for the employees offered by the companies.

The principles of ecotourism in Valea Vaserului have been exemplified, described and explored to achieve the following objective: the assessment of the area from the new perspective of ecotourism.

4. Principles and Observations

Starting from these definitions and together with the observations made in Valea Vaserului, we can say that tourism in that region takes place respecting the above definitions and also the principles of ecotourism.



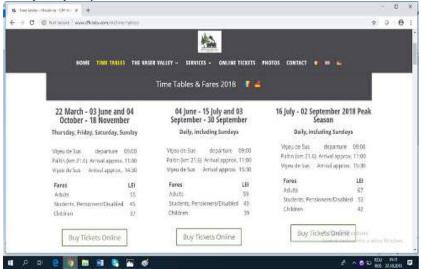


Source: (CFF Viseu de Sus. 2017)

The steam train in Valea Vaserului is the main means of transportation in the area and sustainably contributes to the development of the local community. By providing transport from Viseu de Sus railway station to the final station for recreation, meal, rest and walks in nature, Paltinu station provides jobs for local people, offers the possibility for local craftsmen to sell their goods in their own households and brings income to the community by providing accommodation (the trains have a fixed schedule: the first one departs at 9:00 am every morning and the last returns at 17:00) and of course the tourists spend money on the goods and services needed to meet their needs; as a result they ensure sustainable development in Vişeu de Sus and Valea Vaserului from an economic point of view.

CFF Vişeu de Sus provides tourists with complete and reliable information on the website www.cffviseu, at the ticket office, where the employees are very friendly and helpful, on the train where the tourists are given a brief presentation and described the route to be followed. All these factors contribute to achieving quality marketing which leads to the increase of tourist satisfaction and the respect for the nature and culture of Valea Vaserului. An example is given by offering varied packages to allow all categories of tourists to visit this natural tourist destination (another principle of ecotourism).

Figure no. 2. The price policy



Source. (CFF Viseu de Sus, 2018)

Another principle of ecotourism is that it unfolds within nature and is based on the tourists' direct and personal experience with nature both while on the steam train and during the stops it makes.

Figure no. 3. Nature in Valea Vaserului



Source (CFF Viseu de Sus, 2017)

Nature tells its story along the narrow railroad that, alongside the dances and the popular costumes worn and presented by the locals at the final station, reflects just one of the ways to exemplify the principle which states ecotourism contributes to a better understanding of the local nature and traditions and ensures visitors and locals joy and pleasure.

Figure no. 4. Local people wearing traditional costumes



Source (CFF Viseu de Sus, 2017)

The example of good ecotourism management in Viseu Valley the way the steam trains are managed through a schedule that restricts the number of tourists at the final station; when the fourth train is due to arrive, the first train will go to the boarding station. Another way of exemplifying quality management is to provide only 4 steam engines, which are known to heavily pollute the environment, while the rest of the transport is carried out with electric engines, producing low levels of pollution. A third example of good management is the handling of waste. Visitors, staff, disposable materials, household bags and food depart from Viseul de Sus on the first train, while the last train transports visitors, employees and all the waste, so that overnight the glade, the river and the forest can breathe and live again as pristine nature untouched by humans; practically the area develops sustainably from the point of view of nature preservation.

Through the work done by employees who provide waste management another principle of ecotourism is put into practice: providing the best tourism practices and planning from the point of view of nature conservation and sustainable development. The ecotourism product is a one-day visit to Valea Vaserului and to Paltinu station (final station of the day), visitors are brought to a natural environment protected by the inhabitants, and to a cultural environment created by the dancers who proudly wear the popular costume and who, after a short traditional dance demonstration, invite tourists to join in performing these traditions. The cultural environment is also supported by the museum at Paltinu station; this museum tells about the building of the railway, its necessity and the beauty of the steam-powered mini-engines, which even today give the travel a certain charm.

The degree of satisfaction of eco-tourists is essential and is achieved by means of this tourist product, travelling through Valea Vaserului, and meets their expectations through natural images, the people's peculiar way of speaking, pictures that turn into memorable memories and thus another principle of ecotourism is put into practice.

The following principle is to ensure a minimal negative impact on the local community, which is respected because tourists stay in touch with locals only for a few hours during which they walk in nature, take photographs, play, have lunch, rest, etc.

The final principle is that it brings ecotourism to the forefront of tourism because it is the only branch that positively contributes to the protection of natural areas and the travel by the steam train is an example of good practice due to all the actions undertaken, good management and protection of nature.

5. Conclusions

In recent years, tourism has had significant economic growth, turning into a whole industry, and because of its strong impact on the natural environment and local communities, it has now a role to play as a promoter of sustainable development, while ecotourism is where this role is essential, visible and achievable. Ecotourism is the newest form of tourism that has resulted from the need for sustainable tourism development, especially now that we can get anywhere in the world much more easily because of transport development and information comes directly to our homes through TV and the Internet.

The present article has presented relevant aspects and the basic principles of ecotourism in Valea Vaserului, a special tourist attraction due both to the natural landscape of the area and to the traditions and involvement of the local community in the economic development and the assurance of a high standard of living and, as a consequence, the objective of evaluation of the area has been attained.

The exploitation of the area through tourism and its promotion aim at sustainable development by means of the steam train day trip, a permanent tourist attraction with recreational activities in nature, cultural activities combined with rest, culture, traditions, local community with the economic benefits achieved.

Ecotourism has emerged as a variant of tourism for sustainable development, but it usually involves a small number of tourists. Here we have demonstrated that we can and must do mass ecotourism, because the number of tourists is constantly growing and we must preserve the natural and cultural values for the next generations.

Ecotourism can be present in any place on the Earth and the way tourism is done in Valea Vaserului can be an example of good practice for other local or regional communities and thus achieve sustainable development in as many natural areas as possible, being aware that this is how we can secure a future for our offspring.

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Management of Computer Projects of Financial and Banking Organizations from the Perspective of Human Resources

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Abstract

The computer project manager in the financial and banking field must make sure to determine the growth and excellence of the project according to their fundamental roles and abilities and if, for various reasons, these roles are not fulfilled accordingly, the project may fail. The success of the computer project management depends on the examination of the main strategies and on project planning, considering the principles of the human resources management and of the timely implementation and considering the structure of the financial and banking organisations that is about to implement the project, respectively. The purpose of this study is to identify the internal factors within the financial and banking organisations, which have a major impact on human resources during the development of the implementation process of the computer projects.

Key words: project manager, computer project, social factors, technical factors, administrative factors

J.E.L. classification: M15

1. Introduction

Today information technology is a true development baseline at the level of the European Union and a reference practice for all financial and banking organisations. Success in this field depends on the success of computer projects and on the human resources abilities.

The politics in the financial and banking field related to the human resources abilities within computer projects are continuously improving. From this perspective the challenges in the field of project management and human resources, as well as of the factors that affect the success of computer projects have been examined, such as: the necessity to recreate jobs, the mandatory abilities of individuals during the recruitment process, the role of education in the development of computer projects (Sharyn et al., 2003).

Moreover, special attention has been given to all three perspectives of human resources, respectively to the individual aspects, to aspects related to the place of work and, ultimately to the organisational aspects and the way in which they are efficient for the success of computer projects in the financial and banking field (Sharyn et al., 2003).

The abilities of project managers in the financial and banking field are decisive with regard to the success of implementing a good computer project.

The practitioners in the financial and banking field frequently describe their computer projects as simple or complex when they discuss management related issues (Berkun, 2005). This indicates a practical acceptance of the difference of complexity in project management. It is not surprising that complex projects require a higher level of administration and abilities and certain systems developed for normal projects are inadequate for complex projects.

Computer project-based management is frequently associated with the management of its complexity. The importance of the complexity of the computer project management in the financial and banking field is widely recognised, that is: The complexity of the project contributes to the determination of planning, coordination and control requirements; the complexity of the project hinders the clear identification of the major project objectives; the complexity is an important criterion for choosing an adequate form of project organisation; the complexity of the project influences the selection of the human resources involved in the project, such as the requirements regarding experience, the abilities of the management personnel; the complexity is frequently used as a criterion for selecting an arrangement that is suitable for the project; the complexity affects the project objectives regarding time, cost and quality (Brandon, 2006). In general, the higher the complexity of the computer project is, the higher time and cost requirements are.

From these perspectives, professional managers in the field of human resources must manage the strategic activities and contribute to creating human capital and to continuously developing the abilities of human resources.

2. Relevant literature

The first action in the field of human resources management is the recruitment and supply of workforce and if this stage is not performed properly, the presence of certain persons who lack the necessary abilities and are involved in the computer project, may cause obvious and/or hidden problems. Therefore special attention must be given to the mandatory abilities of human resources.

It is very important to employ qualified personnel in financial and banking organisations, which means that individuals who are capable and responsible are appropriate for the computer projects.

Many computer system consultants consider that 80% of the project management consists in communication (Rouse, 2000). To communicate efficiently is an essential condition of any computer project and lack thereof, even when the project has a strong technical basis, leads often to failure. Therefore, project managers should make efforts to maintain the structure of an efficient communication during the project and, at the same time, to engage people in projects, to pay attention to their abilities and personality traits and to use them adequately (Schlindwein and Ison, 2005).

Regarding the complexity of computer projects, we can talk about two scientific approaches. The first of these approaches refers to descriptive complexity, considering complexity as an inherent characteristic of the computer project. The second approach refers to subjectively perceived complexity, from the point of view of an observer (Baccarini, 1986).

When managing computer projects the efforts shall be increased and future-oriented. The employees will feel confident when they achieve the results of their targeted objectives and, therefore, they must be given opportunities to promote and perform research activities for the project personnel and continuous training, whose cost must be seen as investments (Pichler, 2010).

Sometimes one of the main reasons for the dissatisfaction regarding the implementation of computer projects is the lack of technical abilities of the project manager. The computer projects are often lead by technical experts who have no studies in management and sometimes one of the problems of the human resources involved in computer projects, at the level of financial and banking organisations is the lack of understanding and correct communication on behalf of the project manager and of the project team (Snedaker, 2005).

The purpose of this study is to identify the factors, which have a major impact on human resources during the development of the implementation process of computer projects within financial and banking organisations.

3. Research and applied method

The main purpose of the research was to identify the actual internal factors within the financial and banking organisations, which influence the performance improvement of human resources involved in the implementation of computer projects.

50 computer project managers from different financial and banking organisations that implemented computer projects were involved in the research.

The research study was questionnaire-based and the size of the study sample was determined by the simple random sampling. In order to determine the validity of the questionnaire the calculation method of the alfa-Kronbach coefficient was used, whose value was equal to 0.86. Statistic methods were used for data analysis, such as the Friedman, Pearson and Spearman methods.

The internal environment of the financial and banking organisations was approached during the data analysis process as a system consisting in three categories of internal factors: social, technical and administrative (table no. 1).

Table no. 1 The structure of the internal environment of financial and banking organisations

Social Factors	Technical Factors	Administrative Factors
Climate	Equipment	Politics
Decision making	Materials	Rules/regulations
Interaction/influence	Physical layout	Procedures
Leadership	Work arrangements	Salaries
Communication	Work flows	Promotions
Rewards/penalties	Location	Budgets
Individuals	Size/numbers	Control
		Reports
		Structure

Source: Developed by authors through adaptation and processing after Radu E, et al., 2004

Each factor category (table no. 2) influences under certain conditions and to a certain extent the objectives of the financial and banking organisations regarding the success in implementing computer projects.

Table no. 2 The influence of the internal factors of the financial and banking organisation

Social Factors	Technical Factors	Administrative Factors
The subordinates are involved in establishing objectives and making decisions about the computer project.	The physical conditions are comfortable and does not require excess work;	The rules and regulations are established conjunctly by the management and subordinates.
The communication is open; the employees are informed about the stages of the computer project	The system allows the subordinates to interact with one another and it builds social support	The politics and procedures do not restrict the adequate development of the social factors.
There are increased levels of trust and acceptance.	The subordinates are responsible for the quality of the computer project results.	Formal rewards are granted for the acceptable behaviour of the subordinates and management.
The management is employee-oriented.	The subordinates control the technical factors to a certain extent.	All benefits are reasonably distributed.
The subordinates feel useful and that they are doing something important.	The technical factor requirements are suitable for a certain degree of employees' personal resources	The procedures and rules are not inflexible and can be modified
The team spirit develops and employees are proud of the group they are part of.	Subordinates have the chance to use a variety of abilities in their work, as they please.	Human resources are involved in establishing the objectives and in planning the work.
Subordinates feel supported and they feel they can enjoy being acknowledged by the management and their colleagues.	The technical factors do not require too much conflictual interference.	Restrictive reports and control measures are not used.
There is no pressure on the subordinates.		Advancements and promotions result from the open evaluation between manger and subordinate.

Source: Developed by authors through adaptation and processing after Radu E, et al., 2004

All internal factors listed in Table 2 are continuously interdependent. Most of the times, changing one leads to changing the others. This fact should be known by the project manager and he should permanently be concerned by it. It is important for managers to know, be responsible for and consider these factors, so that an increased number of possibilities to achieve the objectives of the financial and banking organisations for the implementation of the computer project is ensured.

The main results indicate the fact that the managers of the financial and banking organisations firstly take into account the social factors and then the technical ones and, lastly, the administrative factors for the improvement of the human resources performances regarding computer projects (figure no.1).

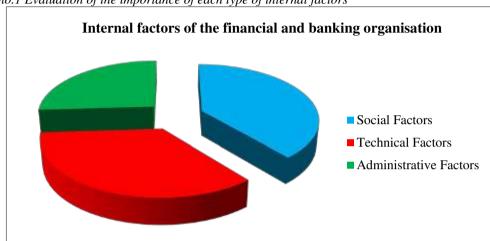


Figure no.1 Evaluation of the importance of each type of internal factors

Source: drafted by authors

We found that 39% of the interviewed managers perceived social factors as having the highest importance, within which they considered that an important role is played by subordinates, who are directly involved in establishing the objectives, i.e. those who are interested in the way in which decisions on the computer project are made, as well as their permanent update on the project implementation stage.

The technical factors take the second place as importance, with 35% and the subordinates responsible for the quality of the computer project results play an important role.

The administrative factors occupied the last place, with 26%, a major importance is given firstly to the rules and regulations established jointly by the management and subordinates, as well as the aspects related to advancements and promotions resulted from the open evaluation between the manager and subordinate.

4. Conclusions

The way of managing computer projects in the financial and banking field has no general rules and one cannot elaborate a global plan for all the projects in this field. We may say that almost all who managed computer projects gained experience in this filed and almost every financial and banking organisation has its own problems and difficulties. But we must pay attention to a series of problems that are often general and their names may be different, although their solution depends on the nature of each financial and banking organisation.

We consider that the sense of responsibility and engagement towards the work place, i.e. towards the work duties and the level of human resources abilities are the most important factors with regard to the personnel performance improvement on an individual level.

Special importance in implementing the computer project is given to training and research opportunities, as well as to the timely correction of the organisational structure according to the changes in the field of information technology, but also paying attention to salary rights, rewards and fairness at the work place.

The results of this study have shown that attention is given to human resources with regard to the permanent development of employee abilities and computer project management is one of the most important pillars in the management of any financial and banking organisation, while neglecting these aspects causes the failure of computer projects.

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Effective Strategic Management - Manager Performance

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Abstract

Managers are a very important component of human resources within an organization, and they make a decisive contribution to establishing and achieving the company's goals.

In the context of the global development of the economy, both the roles and the tasks of the managers of any type of organization have changed; which is why the success of an enterprise / institution / school, etc. depends on the quality of managers.

Exercising a performance management must transform the organization so that it becomes the "ideal employer" in which the employee is enthusiastic and devoted to his work. Through their position and role in organizations, leaders must be able to exercise effective leadership at all levels to make their employees feel valued, productive and listening; to offer opportunities for learning and improving each employee; to create a productive climate that allows the balance between work and personal life to be maintained.

Key words: Manager, organization, human resources, decision, performance.

J.E.L. classification: D83; I20; J53, M12, M54

1. Introduction

A particularly important component of human resources within any organization are the managers, their contribution to the establishment and realization of the established objectives being obviously decisive.

With the global development of the economy, both the roles and tasks of managers have changed. Therefore, the success of an enterprise now depends decisively on the quality of managers (Coates, 1997).

2. Theoretical background

According to the specialized literature, there are many definitions given to the manager or management by reputable specialists. Thus, we can highlight two approaches as the main ones (Nicolescu, 2004):

- The first approach includes managers not only leading cadres but also specialists; this is the approach chosen by Peter Drucker;
- ➤ The second approach analyzes the functions performed by the managers within the respective organization and concludes that the scope of competences, tasks and responsibilities attributed to the managers is higher compared to that of the executives.

Manager development contributes decisively to the economic success of organizations through their ongoing training and improvement. According to the literature there are several directions to be followed in order to improve the managers (Tamkin & Hirsh, 2003):

- Forming and stimulating subordinates to achieve performance in practice;
- Employee management and performance management by maximizing performance;

- ➤ Effective collaboration with colleagues in other departments, practicing an effective leadership to increase the ability to look at issues and solutions from new perspectives;
- ➤ Creating partnerships with the internal and external clients of the organization based primarily on their needs;
- Correct management of your own feelings;
- ➤ Capacity of self-empowerment, creativity and maximum use of its own potential to achieve goals;
- ➤ Capacity of ability to empathize with members of the organization and establish effective and collaborative relationships.

According to the literature, other attributes of a successful leader have also been identified (Constantin & Constantin, 2002):

- > vitality, physical strength, work enthusiasm and passion;
- intelligence and problem-solving capacity;
- > courage, determination, firmness;
- > great confidence in your own forces;
- the ability to adapt leadership styles to the situational factors of the organization;
- > flexibility, creativity and perseverance in overcoming obstacles;
- > manifest behavior oriented towards solidarity and collective progress.

The performance of an organization also depends on the leadership style of the managers, representing the "concrete way of judging a role, thus transposing effectively the behavioral requirements of the leadership status" (Zlate, 2004).

3. Research Method

Any scientific approach requires the use of active methods of thinking and tools designed to facilitate the scientific research process.

Our research starts from a fundamental question whose answer can only be found by analyzes and multiple studies: "What is the manager's importance in developing an organization?" We can say that this question does not only take into account the degree of understanding and definition of the term manager, but also of the beneficiaries of the decisions, of those who are subordinated to the manager.

However, it is necessary to know the provenance and usefulness of the manager concept in order to understand the multitude of the associated meanings, the managerial functions, the strategies that can be adopted and the results obtained at the level of the organization as a result of the measures and decisions taken.

The research is a deductive one and starts from the generalities related to the management concept, and in the course of time this knowledge will be reduced to the field of analysis of the management field, finalizing with the decisional importance and their effects in the development of the institution of which the manager belongs .

4. Findings

Developing managers should also take into account the importance of the concept of emotional intelligence, which essentially addresses the following issues (Goleman, 1995):

- Self-mastery, which implies the ability to control one's own behavior, the will to pursue objectives, demanding, and dynamism. This component has the following competences: self-control, integrity and honesty, initiative and adaptability, tolerance of ambiguities, openness to change and a strong desire to achieve;
- Self-awareness, which is characterized by the ability to recognize their own feelings, emotions as well as their impact on others. This component has three associated competences: self-confidence, fair self-evaluation and emotional discernment;
- Social discernment, which implies the ability to empathize with people around them according to their behavior. The competencies associated with this component are: empathy, talent to attract talent, organizational discernment, intercultural sensitivity, respect for diversity and customer service;

- Social skills, which refers to the ability to initiate and maintain contact networks to determine the members of the organization to achieve the expected results, the ability to build effective relationships. There are five competencies associated with this component: effective leadership, effectiveness in change management, conflict management, influence in communication, team formation and leadership.

Peter Drucker pointed out that the manager should be assigned the responsibility to support all employees working with him and to make his productive efforts for self-development productive (Drucker, 1995).

Managers are not inborn but help the organization to grow (McGregor, 1960). The role of the company is to provide favorable conditions for development, and these conditions are basically an integral part of the organizational climate and the management style of the hierarchically superior level.

Successful managers have obvious qualities of efficient use of their knowledge and skills and use a wide range of managerial roles that they have to fulfill in their posture within organizations (Nicolescu, 2004).

A study by a consulting firm in the United States identifies the following key qualities of a successful manager (Nicolescu, 2004):

- ➤ The ability to establish a clear direction of action by delimiting individual and group performance objectives and standards for subordinates;
- ➤ availability for open communications with subordinates and other managers located on different managerial levels, in order to create a cooperative organizational climate;
- ➤ the capacity to train and support people, which implies a cooperative attitude, efficiency in the tactful resolution of the problems that arise in the conduct of the activity;
- ➤ the ability to objectively recognize the performances of the subordinates and to establish the rewards granted to the actual performance of the employees;
- ➤ the ability to carry out ongoing controls to eliminate deviations and complete objectives to the established performance standards; continually informing subordinates about the requirements they must take into account in their work;
- ➤ the potential for selecting the most prominent persons for the organization's staff, which means knowing the vacancies requirements and implicitly the behavioral profile and skills of the persons concerned;
 - realistic assessment of the financial implications of the decisions taken;
 - > open spirit, responsiveness to new ideas and flexibility;
 - > ethical integrity, transparency and honesty in relations with subordinates.

By their position, managers play an essential role within the organization, their performance determining the performance of the organization. Driving style differs from one manager to another depending on temperament, professional training and experience.

Managers need to be able to create, in an open attitude, in the relationship with employees, a mutually trustful, team-based climate that leads to maximum performance (Nicolescu, Managerii şi managementul resurselor umane, 2004).

5. Conclusions

Human resources, through their contribution, contribute to the achievement of the strategic goals of modern organizations. In doing so, managers have a very important role in managing the workforce in the organizations they lead and creating an environment that stimulates the performance of both the organization and the individual.

In managerial improvement, an important role is played by the exchange of ideas and experience with managers from other institutions, but also from other countries facing the same types of problems, carried out at roundtables and seminars, which are opportunities for managers Romanians to come in direct contact with what is in the international profession and to improve their own knowledge and skills.

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Coordination of Human Resources - Effectiveness of Leadership

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Abstract

Leadership is now an attribute desired / required by all organizations, their leaders. Trustees with confidence in their own forces generate optimism for others, so employees feel more competent and find more interesting work around true leaders. Leadership is in direct relationship, with the power to influence people's behavior.

Leadership represents the leadership interaction between the leader and his followers, with the ultimate goal of achieving common goals.

An organization develops when its leaders manage to convey their values, and these things are accepted and internalized by other employees as the right way to think and act. It is important that between their leaders and supporters to establish sincere and trustful connections, based on a series of values that are shared by each other.

Leadership is the result of cooperation between the leader and the stakeholders.

Key words: Leader, organization, human resources, leadership, efficiency.

J.E.L. classification: D83; I20; J53, M12, M54.

1. Introduction

Focusing only on the leader does not allow a profound understanding of the subject of leadership, because leadership is like a flame in which three components must connect and exist over time - the sparkle (leader), the flammable material (the guided) and the circumstances (oxygen) without which the fire will not burn in time. Integration and iteration between these three components is the leadership phenomenon (Popper, 1998). The mutual relationships between the leader, the leaders and the circumstances in which they find themselves represent the leadership phenomenon.

The important development in managing this leadership topic was the contribution of Max Weber, who emphasized the subjective perception of those led over their leader.

This concept has contributed to the development of types of thinking and research that concern leadership as a set of reciprocal relations between leaders and those led by them.

2. Theoretical background

In the literature, the concepts of "management" and "leadership" are distinct but, in fact, they are inseparable in practice.

Leadership is one of five management functions (Schermerhorn J.R., 1988).

The problems of the leadership have been the preoccupations of the people in ancient times. But the systematic, profound study of the leadership began only during F.W. Taylor. There has been a great deal of research on this issue, but there is no unanimous agreement on what is meant by leadership and how it should be studied.

The diversity of leadership literature has led some specialists to affirm that there is no "leadership" (Meindl, 1985).

Leadership is "the ability to exert influence on individuals and groups, directing their efforts towards achieving the organization's goals" (Mescon M., 1988).

Leadership applies everywhere and at every level, as the manager is the one who works with people, this being one of the managerial tasks, thus becoming the "behavioral side of management."

Most specialists define the leadership as a phenomenon of social influence by which the leader asks his subordinates to participate actively, individually in the form of a joint effort in order to achieve the objectives of the organization, so there are many definitions as follows:

- O.S Vihanskii şi A.I. Naumov considers that:""the leadership is the ability to efficiently use all existing sources of power to transform in reality a vision designed for the others" (Vihanskii, 1988).
- H. Koontz and C O'Donnell give the next definition of the leadership that involves the process of 'influencing people in such a way that they devote all their efforts, willingly, to achieving common goals' (Koontz, 1980).
- P. Drucker considers that: "Leadership represents the ability to raise human vision to a broader horizon, to bring the efficiency of human activity to higher standards, as well as the ability to form personalities beyond its usual boundaries which limits it" (Drucker, 1954).
- R. Tannebaum, W.I. Washler and F. Massarick define the leadership as a process of social influence in which the leader seeks the active and voluntary participation of his subordinates in order to achieve the objectives, which leads to the constitution of representative actions made by the communicative process, oriented towards the choice and the achievement of the objectives established.
 - J. Stoner and F. Freeman define the leadership as a process of direction and influence.
- RM Stogdill considers and defines his leadership as "a process of influencing the activities of an organized group in its efforts to establish and achieve the goal" (Stogdill, 1974).
- R.L. Draft classifies the leadership as "the ability of the individual to act or influence other people to achieve goals" (Draft, 1988).
- T. Peters and N. Austin make a description of the leadership as follows: "leadership means vision, enthusiasm, love, trust, verva, obsession, consistency, use of symbols, dealing with worries and many other things. Leadership must be present at all organizational levels. It depends on one million obscure things, but all these things mean nothing if there is no vision and self-confidence" (Peters, 1985).

3. Research method

Our research starts from a fundamental question whose answer can only be found by analyzes and multiple studies: "What is the role of the leader within the organization." It is necessary to know the provenance and usefulness of the leader concept in order to understand the meanings associated with it, the functions a leader fulfills, the strategies that can be adopted and the results obtained at the organization level as a result of the measures and decisions taken.

Research is a deductive one and starts from the concepts of leadership, and this knowledge will be reduced to the area of leadership analysis, finalizing with the decisional importance and their effects in the institution's development the leader leads.

4. Findings

A good leader must have a high degree of emotional intelligence. In this sense, the following components of emotional intelligence are relevant (Goleman, 1995):

- Self-mastery, which implies the ability to control one's own behavior, the will to pursue objectives, demanding, and dynamism. This component has the following competences: self-control, integrity and honesty, initiative and adaptability, tolerance of ambiguities, openness to change and a strong desire to achieve;

- Self-awareness, which is characterized by the ability to recognize their own feelings, emotions and their impact on others. This component has three associated competences: self-confidence, correct self-esteem and discernment;
- Social discernment, which implies the ability to empathize with people around them according to their behavior. The competencies associated with this component are: empathy, talent to attract talent, organizational discernment, intercultural sensitivity, respect for diversity and customer service:
- Social skills, which relate to the ability to initiate and maintain contact networks to determine the members of the organization to achieve the expected results, the ability to build effective relationships. There are five competencies associated with this component: Effective leadership, Effectiveness in change management, Conflict management, Influence / Communication, Team formation and leadership.

Thus, the leadership represents a cumulation of inner forces and external manifestations, capacities and aptitudes, self-confidence, which confers safety to those around. An effective leadership is based on questioning the cause-effect principle.

We could compare the unity of a group in an organization with a team participating in a sports contest trying to explain the importance of the unit's team in reaching the proposed goal, but also the importance of the leader (the team's coach, the coach -add on each level is the need for a leader, the one who has the information necessary to achieve the predetermined goal, the coach who supports the morale of the team and even the team captain who urges teammates to participate and to make every contribution to be victorious in the disputed match.

5. Conclusions

At present, modern organizations are no longer built with a large number of hierarchical levels and a low hierarchical weight, in which the supervisor stie almost at any time does each. Increasingly, the organization opts for flat structures with reduced vertical structures. Under these circumstances, the boss can no longer follow each other closely. Also, the volume of information circulated within and outside the company is so great that it is imperative that an increasing number of employees become more involved in dealing with the "information avalanche" and that they can benefit fully from their content.

The leader is the one who feeds the collective image of his personal identity. This requires work on the part of the leader to transform, to influence individual potentials in favor of collective interests.

The leader must ensure the reconciliation between personal and collective goals, ie achieving harmonization of all categories of interests. Practice shows that, in order to achieve success in their work, leaders need to be able to give the followers the rights and empowerments to achieve the goal of vision. The leader becomes attractive to his followers because of his ability to see in the future.

Therefore, the leader has the role of supporting the group in achieving the goals, while being able to identify, know and effectively use the capacities and skills of each team member to achieve the established goal. He does not only thank to motivate and encourage the group, he is the commander who facilitates the process, directs and coaches the group in achieving organizational goals.

Leadership involves the presence of followers, so people agree to follow the one considered leader.

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The Impact of Social Media on Recruitment

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Abstract:

Social media has revolutionized the world and impacts both individuals and businesses. The current changes require clear understanding of the social media power when it comes to employ valuable assets in the company.

The literature reviews on this topic are to be updated on a permanent basis, due to the constant evolution of recruiting websites.

The goal of my paper is to present how social media impacts recruitment starting from a summary of what social media stands for, as well as benefits and challenges that companies face when recruiting via social media, plus a general conclusion.

Key words: social media, human resources, recruitment, business development

J.E.L. classification: F66, M10

1. Introduction

Interaction between people has changed a lot due to the latest social software platforms. The Internet has drastically changed the face of recruitment. Recruitment and news are the contemporary vehicles for participation in a market seemingly moving at lightning speed (Qualman, 2009) because social media has become a powerful megaphone. (Bennington, n.d.).

Our universe is limitless, and with the marriage of technology and social media, so too is our ability now to connect with people from all around the globe, for all kinds of reasons.

And while this budding relationship has gone forth and multiplied, filling our universe with millions of personal and professional connections, it has given birth to several tightly knit, singularly focused communities as well (Finzel, 2013).

2. Theoretical background: Social media revolution

Social media is, in its most basic sense, a shift in how people discover, read, and share news and information and content. It's a fusion of sociology and technology, transforming monologue (one-to-many) into dialogue (many-to-many). Aceto (2010) mentioned that social media is nothing new; it is a *dialogue* and a form of *engagement*.

Lehtimäki et al., (2009) divided social media in 5 categories: *Blogs and podcasts*, *social networks*, *communities*, *content aggregators*, and *virtual worlds*.

Kaplan & Haenlein (2010) define social networking sites as ,, applications that enable users to connect, by creating personal information profiles, inviting friends and colleagues to have access to those profiles, and sending e-mails and instant messages between each other". In Table no.1, there are a few benefits and drawbacks as stated by Lehtimaki et al. (2009).

Table no. 1. Summary of benefits and drawbacks of social networks.

+ Networking possibilities, getting new business connections.
+ Targeted banner advertising for different groups.
+ Easy way to create an own community (group) in there and hence leverage conversation with customers.
- Bad news spread fast
- Difficulty in generating interesting content to lure users to the group or spread the word about the group.

Source: Lehtimaki et al., 2009

The use of technology at the workplace has impacted all areas of employment, with technology providing significant and advantageous ways to enhance organizational recruitment practices (Gregory et al., 2013). Social media can also be used in human resource management, for recruitment and selection too (Tufts, Jacobson, & Stevens, 2014; Wolf, Sims, & Yang, 2014). The adoption of technology in recruitment is becoming a necessity for employers wishing to have a competitive advantage in the labor market, and attract scarce critical talent (Deloitte Consulting LLP, 2014).

The use of social media in employee recruitment, often referred to as 'social recruiting', includes different practices and provides several advantages. Recruiters use platforms such as LinkedIn, Facebook and Twitter to post job ads, attract and recruit job applicants, and pre-screen applicants (El Ouirdi et. al, 2016). Nowadays, the HR department must act like marketing according to Schaefer (2016): "Compete for talent the way companies compete for customers. Today there is intense competition for the very best talent. When a high-potential employee checks out a company, the first place they go is increasingly social media platforms like Facebook and LinkedIn, or perhaps review sites like Glassdoor". But what is effective recruitment?

According to Fletcher (2011), "the ability to effectively recruit and select good quality people stems from an organizational effort to hire the best people". The use of social media as a recruitment tool throws up some opportunities and challenges for employers. Social media potentially offers speed, efficiency and the ability to target and attract specific, particularly suitable candidates in the recruitment process. It can provide a useful additional source of information on potential job candidates, especially since some data (at personal and professional level) may not be generated for the purpose of recruitment, and therefore may provide candid supplementary information on the applicant. For candidates, it potentially offers multiple sources of information about the employer and the possibility to get in contact with existing employees, to gain a more realistic job preview.

There are many specialist sites keeping applicants abreast of potential vacancies across a wide range of organizations. Some recruiters use the leading social media channels simply to search and advertise, while others build longer-term strategies, such as investing in permanent, interactive online talent pools (Clements, 2012).

3. Social media impact on recruitment

After a quick look at the social media landscape, you may find below a few areas that social media impacts in recruitment:

Cost: Sourcing for candidates via social media platforms is very cost-effective compared to traditional methods of recruitment. As a matter of fact, creating a social media account is free. Traditional recruitment methods require a firm to be paid a premium to advertise through traditional media channels (TV, billboard, newspaper or magazine) and hope that a large number of candidates will see the job advert (Massplanner, 2015). Blogs, wikis and forums are low-cost advertising and communication platforms that offer recruitment strategists additional tools to reach candidates (Miller & Lammas 2010). The Internet has created opportunities for online recruitment practices to emerge for a number of years, and organizations have been utilizing web 1.0 technology by posting vacancies on websites and job boards. As a consequence, advertising external vacancies has become more cost-effective, more rapid and it enables organizations to reach a wider audience (Anderson, 2003; Brady et al., 2003; Hull, 2011).

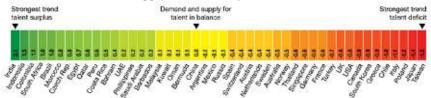
Time: Employers have the ability to use SNS to filter out everyone who does not fit designated "subjective" factors, such as the school they attended or their past professional experience (Nigelwright 2011). Employers believe that using these sites for online background checks is an acceptable practice for making hiring decisions to get a quick character sketch of the applicant (Clark & Roberts, 2010).

Large pool of qualified candidates: Research shows that companies that recruit via social media have better and more productive employees than companies that use other recruiting programs. This may be due to the fact that candidates who frequently use social media are potentially more innovative and tech-savvy (Massplanner, 2015). Candidates want to work for

employers they can trust. Establishing a strong social presence for your employer brand is an essential part of building this trust (Parker, 2015). Social media recruiting can save time and money by targeting people who are more likely to qualify for studies. Less time a field service spends to try to fill a recruitment quota, more money it makes, and less money the client spends. Recruiters who use social media are also better positioned to accommodate clients' last-minute requests (Finzel, 2013).

New Generation Approach: Generation Y has grown up in the digital age, so is not surprising that they will have different expectations regarding the recruitment process. These changes are a challenge for recruitment on a number of levels, with a huge variety of skills level, wide-range of technological awareness and personal and professional expectations to be managed. Of course that are a lot of advantages having different generations in the workforce, especially when it comes to new technologies (Headworth, 2015, p.12). As a result of these rapid shifts in the market, the vast majority of companies engage in transformation initiatives to rethink their global strategies, business models and organizational approaches (Oxford Economics, 2012). The demand for workers is already more pronounced in emerging markets thanks to continued brisk growth in most of these economies, as shown in **Figure no.1.**

Figure no.1. The mismatch between supply and demand for talent in 2021



Source: Oxford Economics, 2012

Notes

- 1. The table ranks countries according to how their talent gaps are expected to evolve over the next decade.
- 2. Talent deficits are shown as red (negative numbers), talent surpluses as green (positive numbers), and broad balance as yellow.
- 3. Numbers report the average annual % change of the deficit/surplus.

Competitive Advantage: The internet and social networks have played critical roles in business functions and operations. Therefore, using social media to recruit candidates provides a company with a competitive advantage over other firms that do not use social media recruiting. Social media recruiting portrays a business as tech-savvy and dynamic to emerging trends (Massplanner, 2015). Hatter (n.d.) encourages companies to present themselves as a winning place to work by promoting the business in social media, encouraging current employees to network in order to promote the business and even connect with universities and other professional organizations to increase the company exposure and recruit high-quality individuals.

Ethical and security issues: The information available through SNSs brings about a series of unique legal issues and challenges. Social networking sites easily allow the potential for individual biases to affect hiring and screening decisions. Employers are not currently required to disclose what information on SNS was used in making screening decisions, which may allow managers to discriminate against candidates (Brown and Vaughn, 2011).

Employers have always been able to request background and reference information on job applicants but have been self-restrained in doing so because of the cost and legal requirements. This norm is now shifting, as employers routinely conduct informal online background checks without applicants' knowledge. Referring only to the mostly used social network, i.e. Facebook, Popescu & Georgescu (2013) mention possible dangers such as: *Creating fake profiles* – which might lead to identity theft; *Rummaging Facebook* posts to find out information such as phone number, email and other sensitive data and information; *Attacking* on Facebook chat; *Click jacking* – a type of attack conceived to make users click on links which lead to pages from where hackers are able to obtain confidential information or compromise privacy; *Unrequired posts* on the wall, sending messages in inbox or chat, invite users to join groups or community pages promising prizes or enter competitions.

Also, some messages created by spammers aim to take compassion on counterfeit medical or social cases, so that money would be sent to the fake victims; *games on Facebook* which might hide spyware applications behind an apparently legitimate interface.

4. Conclusions

Social media is not a panacea; it brings along big challenges but also great opportunities for recruitment, considering these platforms are no longer a mere collection of websites for fun but a channel whereby they can find valuable candidates and approach the new generation.

Businesses can make use of the advantages of social media in terms of time &cost reduction, and place their business in a favorable position; however it is necessary to pay attention to ethics and security issues.

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Defining the Concept of Risk Applied in Entrepreneurship Conceptual Delimitation Risk - Entrepreneurial Uncertainty

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Abstract

Even though in many cases the terms of risk and uncertainty are similar, but they have to be delimited to understand the meaning of each individual as accurately as possible. The two terms are combined in different situations. No matter how well the risk is managed, uncertainty cannot be removed because all possible situations and interdependencies cannot be taken into account. Thus, a source of risk can be considered uncertainty in itself if it is based on poor quality information about the actual internal or external situation of the company. Also, in my conclusion, traditional financial theory distinguishes between systematic risk and the particular risk, which reaches the company's overall risk. Investors can reduce total risk with the two primary risk management instruments, namely diversification and asset allocation.

Key words: entrepreneur, risk, uncertainty, SME's

J.E.L. classification: D81, L26

1. Introduction

The evolution of risks can have a significant effect on profits, even on the survival of the company, so it is very important to try to keep them under control. The risk is the result of the use of resources, through which the entrepreneur can suffer probable losses or will have lower incomes than planned. The concept of risk when referring to an investment can be perceived not only as the danger of not reaching the desired level, but also as a probability of going beyond what is desired. Managing it can mitigate the negative effects it can have on business, and success can only be achieved through a proper risk-benefit assessment.

Entrepreneurs may have a perception of risk, which may be different from what determines them to make a decision. A cause of this issue is the concern of managers to present risk by value-added, without using modern methods of estimating it (statistical, probabilistic calculation). Another aspect is the preference of describing the risk to the detriment of its quantification, considering only partially possible events, instead of considering the results as a whole. Risks that an economic entity has to manage give arise to two approaches or cultures of risk: one that rejects the risk and another that accepts it (Griffiths, 2005). The culture that rejects the risk is characterized by stability, experience, centralized management, and the needs of the clients being put in second place after the efficiency of the internal organization of the activities.

On the other hand, this perception of risk gives rise to the lack of initiative of the employees, leading to the lack of strategies, and the lack of innovation leads to skepticism. The culture that accepts the risk is exactly the opposite of the other: open to innovation, the determinants being novelty, motivation, exploitation of specific opportunities.

Decisions are passed on to all employees, customers are at the forefront, and the continuous change in strategies reflects adaptation to existing circumstances. The two cultures are characteristic of the following types of risk management: - culture that rejects risk is characteristic of traditional risk management; - culture that accepts risk is characteristic of modern risk management.

2. Theoretical background

The term is derived from the French risque of the 17th century and is defined by the French explanatory dictionary Le petit Larousse as a danger, the more or less likely inconvenience to which we are exposed or exposure to a hazard, loss or failure. The explanatory dictionary of the Romanian language defines it as "the possibility to reach a danger ... or to bear a damage: a possible danger" (Coteanu, 1998, p.929).

A research of early financial literature shows many discussions about risk, but only a few definitions. There are two trends specific to the 20th century in defining risk: subjective probability and operationalism. The most famous definition of risk is that of Frank Knight in 1921 in his paper Risk, Incertitude and Profit. The definition given by Knight is as follows: To preserve the distinction between measurable uncertainty and unmeasurable uncertainty, we can use the term to designate the prime and the uncertainty term for the latter (Knight, F., 1921: 233). The given definition quantifies risk through objective probability and uncertainty through subjective probability.

When it comes to the risks that can affect an organization's activity, namely economic risks, its classification is known by numerous criteria. We will list some criteria for their classification:

- 1. the nature of the risks may be:
- pure risks are events that can not be controlled, representing insurable events (natural calamities, wars, etc.);
- speculative risks in which there is probability of both loss and gain. These are manageable through management techniques;
 - 2. According to their location, there are:
- macroeconomic risks;
- sectoral risks:
- microeconomic risks;
 - 3. According to their foreseeability the risks may be:
- predictable risks, which are generated by predictable factors;
- unpredictable risks from unanticipated factors;
 - 4. According to the phenomenon belonging:
- internal risks, which are the result of the company's activity;
- external risks, which depend on the environment in which the company operates;
 - 5. Depending on the consequences of the risks may be:
- exploitation risks, which reflect the variation in the result when changing the conditions of the activity;
- financial risks, which reflect the variation of the result according to the financing policy;
- bankruptcy risks that show the company's solvency through its ability to meet its current payment obligations.

The terminology of risk varies from one organization to another, so practitioners working in different organizations may use distinct terms to refer to the same risk or the same nomenclature for different risks.

There are five types of different classifications used by the various regulatory bodies and insurance companies listed below (Kelliher *et al.*, 2011, p.21):

- The Book of the Financial Services Authority of the United Kingdom (FSA);
- German Federal Financial Regulatory Authority (BaFin);
- The Lloyds Bank Group;
- UK Life and Financial Services Prudential plc.;
- Working Group of Statistical Professionals in Risk Classification.

3. Methodology

The theoretical and methodological approach of the studied issue has as reference the current and the reference research in the field and the information activity provided information that can highlight the concepts and processes existing in the literature and in the practice of organizations.

At national level, there are works that deal with cost-benefit issues by using, in particular, traditional cost-effectiveness analysis indicators. The issue addressed in the case study by using modern indicators of profitability, in correlation with those of risk, is not the subject of the empirical studies conducted in our country up to this point. Treating the two approaches in parallel - using modern and traditional indicators - highlights the differences between the two studies, delivering results that can meet any company goal, from maximizing profits, lowering costs, etc. to increasing value.

4. Findings

The approaches of other theorists from this period refer to subjective interpretations (probabilities are human convictions) and objectives (probability is real, estimated by statistical analysis) of probability.

According to subjective interpretations, probabilities are not intrinsic to nature, but they characterize their own uncertainty (Holton, 2004, p.19). Knight's definition provides an objective perspective on risk and refers to the intrinsic probability of a sentence being true or false by determining the likelihood (subjective process) in two ways: the a priori probabilities that are derived from the pure risk and the statistical probabilities obtained on based on homogeneous data. The definition given by Knight is as follows: To preserve the distinction between measurable uncertainty and unmeasurable uncertainty, we can use the term risk to designate the first and the uncertainty term for the latter (Knight, 1921, p.233).

The given definition quantifies risk through objective probability and uncertainty through subjective probability. A critique of this definition is that it is not a definition of risk in reality. According to common use, the risk involves both uncertainty and possible consequences of exposure. Harry Markovitz, the researcher who developed the modern portfolio theory, states in his PhD thesis: "The concepts of yield and risk appear frequently in the financial literature. If the term yield was replaced by the expected return or expected return, the term of risk with the variation in profitability would result in a small change of meaning." (Haslett, 2010, p.117), suggesting that the change in profitability is close to identifying the risk.

The economic risk is defined as:

- "An unsafe event or process that is likely to cause damage, loss in an activity, operation or economic activity" (Niţă, 1999, p.408);
- "a future event and probably the production of which could cause some losses. It can be predictable when factors ... can be anticipated and unpredictable, determined by situations whose possibility ... is totally uncertain "(Pantea *et al.*, 2012, p.39);
- "risk is the chance that the current return on investment will be different from the expected outcome. The risk includes the probability of losing some or all of the initial investment "(Gallatti, 2012, p.191);
- "the uncertainty of a result, taking the form of a positive opportunity or of a negative threat to actions or events, must be managed in the light of a combination of the possibility of something happening and the impact that it would bring to materialize possibilities "(HM Treasury, 2004, p.9);
- "the possibility of an event occurring and adversely affecting the achievement of objectives" (Coso, 2004).

There is an evolution in the definition of risk, moving from the probability of a loss, predictable or unpredictable, to another possible form - the opportunity, from its impact that may affect an activity, operation, to hindering the achievement of the objectives. If risk connotation is generally negative, recently, the notion of risk also includes the significance of better outcomes than expected, because risk can show opportunities to improve the objectives of a project.

The risk has the following features:

- is a possible, predictable or unpredictable event, the risk originates in uncertainty;
- is a generally negative event, whose definitions contain the terms of uncertainty and loss, but can also refer to the term of opportunity, denoting a positive connotation;
- is an event in all human activities, whose effects can no longer be removed;

- represents the distribution of the expected results;
- is the result of choices made.

5. Conclusions

In conclusion, traditional financial theory distinguishes between systematic risk and the particular risk, which reaches the company's overall risk. Investors can reduce total risk with the two primary risk management instruments, namely diversification and asset allocation. Also theoreticians and practitioners with modern visions of profitability and risk consider a fundamental issue how the boards of directors are addressing risk measurement. The boards of directors focus on the framework accounting and do not take into account the associated risk to its true size. Net profit, established as the primary objective, should result in a return on capital higher than the post-tax credit rate. Gross profit, set as the sole objective, has as a single condition a capital return greater than zero. Adapting the accounting framework to create an apparent view of effectiveness leads to important adjustments of financial indicators that create a false picture of the economic and financial situation.

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Project Management of Irrigation Systems

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Abstract

The management of irrigation systems projects is a fairly recently emerging field, and its importance has been greatly increased due to the fact that, on a European and international scale, more and more actions take place in some projects.

The project represents a sum of activities that lead to a common goal and require a significant consumption of resources (human, material, financial, equipment, documentary information and time). The implementation of a project implies an initial moment and a final moment of the project, ie a duration of realization. The initial moment is considered the one in which the decision is made to proceed to the design of a project, and the final one is the one in which closes the last activity foreseen by the project.

Project management consists of planning, organizing and managing (tasks) and resources to achieve a certain objective, given the existence of constraints on time, resources and costs.

The purpose of this paper is the analysis of projects and programs specific to the field of agriculture in general and irrigation systems in particular through regional and national development programs, closely correlated with the analysis of internal and external factors that determine the elaboration of managerial policies at macroeconomic level regarding the implementation of some projects specific to the agriculture branch.

Key words: management, project, agriculture, irrigation, decision.

J.E.L. classification: E61

1. Introduction

The management of irrigation systems projects is a fairly recently emerging field and its importance has been greatly increased due to the fact that, on a European and international scale, more and more actions are being carried out in the framework of some projects, which are a sum of activities lead to a common goal and require a significant consumption of resources (human, material, financial, equipment, documentary information and time).

The research methods used in this paper are: fundamental research, applied research, development research, by: observing and measuring phenomena, creating hypotheses and models, forecasting, establishing the level of importance, Testing model hypotheses through experiments, tests, tests.

2. Theoretical background

Managing activities at macroeconomic level in agriculture involves the implementation of technical-economic, social and cultural policies by implementing current and prospective strategies with the help of managerial tools specific to each branch of agriculture, including an important role it is the responsibility of the managerial policies for the implementation of technical-economic-financial projects with adequate finality and efficiency in each field of activity specific to agriculture in general and irrigation systems in particular.

In project management a program includes several projects; a project can be further broken down into subprojects, groups of activities and actions. The project manager coordinates a team, the complexity of the project requiring the participation of more than one person (C. Scarlat et al, Bucharest, 2002, p.6). In some organizations, projects are the primary mechanism used to coordinate and integrate all processes and functions, starting with production, research and development, ending with marketing, staffing and financing activities (Hobday, 2000, p. 873).

A project can be designed on different levels, covering issues of different dimensions. Therefore, it is important to detail the concepts of project management. Despite the extremely large variety of programs and projects, there are, however, some general features that we will find, regardless of geographic or temporal dimensions, and without the size of budgets or teams being of any importance. On the other hand, even simple enumeration of definitions of these general characteristics can help us to better outline the internal approach of a project.

Project management is a fairly recently emerging field, and its importance has grown significantly due to the fact that, on a European and international scale, more and more actions are taking place in some projects. The resources used by these projects (especially the financial ones) have an increasing role (see the PHARE or SAPARD programs) in economic development and their scope is increasing.

The project is a sum of activities that lead to a common goal and require a significant consumption of resources (human, material, financial, equipment, documentary information and time). The implementation of a project in the field of agriculture involves an initial moment and a final moment of the project, thus a duration of realization.

The initial moment is the one in which the decision is made to proceed to the design of a project, and the final one is the one in which the last project activity is closed. The project management consists of planning, organizing and managing (controlling) the tasks and resources which aims at achieving a certain objective, given the existence of constraints on time, resources and costs.

Projects and programs - From a theoretical point of view, there is a distinction between project and program concepts, although often they are used in equivalent terms. In project management a program includes several projects; a project can be further broken down into sub-projects, groups of activities and actions. Programs, like projects, have a clearly defined leadership. There is first a program / project manager / manager (Project Manager, Project Manager, Project Coordinator, Team Leader).

More and more authors conceive the projects as multidisciplinary approaches, serving multiple purposes and running in complex environments, being the very way to respond to complexity. (Bargaoanu, 2006, p. 47).

The link between development and project management is now explicitly grounded in the multiannual development strategies of several states. Particular attention is paid to the concept of a "project-oriented society" as "a society that frequently uses projects and programs to run relatively single processes, of medium or large complexity" (Gareis, 2005, op. Cit., Bârgăoanu, 2006, p. 46)

There is an equally important difference between the project as a result of the conception process (R & D) and the implementation process of the design (implementation of the project). Although each of these processes corresponds to projects according to their definition, their specificity is different.

The management methods are also different in the two cases - theoretical management in the first case and practical management in the second case. In the case of archeology, there are also programs (national archaeological research programs) composed of projects (archaeological research projects). This structured approach should allow not only a more efficient organization of the general archeology issue, but also (in principle) an allocation of resources corresponding to the interests of the research strategy in this field.

3. Management of projects in the public sector of agriculture and irrigation systems

Project management has the role of directing it in such a way as to maintain at any moment the balance between the contradictory requirements, related to the three characteristic factors of the project: quality, budget and term (Opran et al. , 2002, p. 95). The general management method - is the argument that the literature promotes an improper assertion: "the method of project management presents several variants" (Constantinescu et al, 2007, p. 60).

Public projects in agriculture and irrigation systems are tools for implementing the administration strategy, public authorities, using investment resources for a limited period and in a strict localization at national or local level.

The specific feature of public projects in agri-culture and irrigation systems as compared to those in the private sector is that the powers and competencies of program and project actors at the level of central or local public administration are established by the Public Finance Act. That is why the Government, the Ministry of Public Finance and the authorizing officers have specific tasks in budget management. The main credit ordinators (heads of public authorities, specialized bodies of the central public administration as well as those of some autonomous public institutions) have the competence to approve the projects and to monitor these programs, for which they will submit regular monitoring reports.

Unlike private sector projects, projects in the public sector of agriculture and irrigation systems have the following features:

- Evaluation of each project must be done in the general context of the concept of modernizing public services at national or local level;
- In contrast to private-sector projects, the public sector is evolving in a relatively open, complex environment with an impact on the population of a city, region and even national impact;
- The socio-economic substantiation of public projects will take into account not only their direct and immediate effects but also the propagated and perspective effects that manifest themselves more or less diffusely in the life of the collectivity, at the level of the individual or the collectivity, by the modification level of education / training, health, comfort, income, unemployment rate, etc.
- The analysis and the system of criteria underlying the evaluation of a public sector project of agriculture and irrigation systems have a distinctive character and it is necessary to personalize them at project or community level, taking into account the geographical diversity and areas of public interest, from complex industrial projects to cultural, educational, health projects, etc.
- Specific and diversity of public services in agriculture, as manifested in the life of the collectivity: projects that are fully self-financing, projects that, although they earn some income during their lifetime, must be financially supported, projects that by their nature and / or destination does not generate revenue by exploiting them;
- If the valuation of commercial projects in the private sector is the fundamental objective to which their existence and success are reported is the "profit", in the case of public projects in agriculture and irrigation systems, we will be faced with multiple economic, social, ecological, etc. but also of cultural diversity. The primary objective of any public service in agriculture and irrigation systems can be considered the social wellbeing of people, but it involves the simultaneous optimization of several variables.
- Apart from some industrial services projects, public sector projects in agriculture and irrigation systems have a relatively low technical complexity and, implicitly, require a lower investment effort than private sector investment projects. In contrast, in the private sector, profit being the general objective for any economic agent, financial analysis plays a key role in the underpinning studies of the economic decision.

On the other hand, public projects in agriculture and irrigation systems need to have the most solid and complete foundation, because it is "public money" and the benefits obtained in the community interest. The citizen contributes to the formation of public funds by incurring taxes, taxes, etc., but needs to be properly informed about the spending, utility and efficiency of the destinations to which these funds are directed. Knowing the specificity of public sector projects is a condition for the quality of the process to substantiate their opportunity, feasibility and efficiency. The methodology of elaboration of substantiation documents (opportunity and feasibility studies) should be based on a unitary concept that takes into account the particularities of the public sector, as well as those of the field of application of public works: agriculture, energy, water , urban planning, etc. The methodology must also satisfy other requirements concerning the following aspects:

- conditions specific to the Romanian public sector regarding the organization of space, localities, customs, elements of history, culture, landscapes;
 - specific of each application domain that determines the diversity of public works;

- compatibility with the Romanian legislation and with the requirements of the European Union institutions:
- compatibility between the substantiation documents that constitute the information flow of the investment process;
 - satisfaction of the three functions of the feasibility study:
 - evaluation of economic, social and economic opportunity, utility and acceptability,
 - evaluation of technical and economic-social feasibility,
 - laboration of the implementation and exploitation strategy of the project.

The content of the feasibility studies for the public projects respects the framework content and the general methodology for the elaboration of these documents, so that the elements of analysis of the economic and social environment, the market of services and their evolution over the life cycle of each project will not be missed. Appropriate institutions will be required to support location, environment, allocation and / or optimization of resource use, as well as a thorough analysis of the technical and financial feasibility of the project. and, last but not least, the effectiveness of the project will be based, in particular in the light of the interests of the community and of the social, ecological impacts, etc.

As regards the project management at the level of the irrigation systems in Romania, it materialized in the implementation of some projects at national and regional level as part of the National Rural Development Programs and of the general governmental policies and general public development strategies of the agriculture sector in general and irrigation systems in particular. From this point of view in Romania, Romania's Governance Program for the period 2014-2020 required socio-economic analysis of rural development on the following global levels at macroeconomic level:

- socio-economic analysis of rural development in Romania;
- increasing the competitiveness of all types of agriculture and increasing the viability of farms;
- sustainable management of natural resources and combating climate change;
- Romanian economy and quality of life;
- professional development;
- local development and LEADER.

4. Conclusions

Extending project management to most areas of activity as a way to respond to the increasingly demanding organizational environment and to make changes in a knowledge-based society has led to the emergence of a so-called project-based organization. The project-based organization is widespread in traditional areas such as construction, but also in new industries such as telecommunications and information technology. It is generally found in areas of high technology and "high value capital goods".

It is also the project that requires departmental structuring, giving rise to a number of advantages that can be remembered: running projects according to standardized procedures, unity of approaches and implementation methodologies, implementation of projects at a professional level, projects gaining visibility in the whole the organization makes use of project management tools more efficient, it can standardize the methods of reporting and monitoring the evolution.

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The Organization's Modern Management

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Abstract

Commercial companies represent for the Romanian economy the engine of social existence, in that they produce and distribute goods or services necessary to meet the needs, expectations and preferences of the people. The results and performance of each economic unit depend to a large extent on how it is organized and functions. Thus, the management role of the economic agents, which, through its planning, coordination, supervision, steering, etc., determines the achievement of sound, durable and efficient consequences through the actions, opinions, objectives and concerns of employees and managers. Management is one of the main factors of economic activities, activities that can generate products and services with increased attractiveness and alternative solutions that improve the performances of the organization.

In order to gain a competitive advantage, the Romanian organizations should pay attention to the objectives that they propose, based on the findings, the relevant market studies and to submit to the national strategies.

Key words: management, organization, effectiveness, brand

J.E.L classification codes: M11, L21, D61, D29

1. Introduction

Improving organization management by determining the directions and ways of action becomes decisive for increasing performance. The management aims at planning, organizing, conducting, guiding and controlling a group of people within an organization.

Improvement of management ensures the increase of managers' competence and effectiveness through: university and postgraduate management studies conducted in universities, managers training, learning through action, and practical activities to improve management. In order to be able to implement these managerial improvement methods, it is necessary to ensure the systematic change of the training programs that give expected results, concluding that the failure is due to the training process. Perfection differs from one organization to another, within the same organization from one department to another, with some firms paying less attention to improvement, but for others being of major importance. Thus, all professional training programs must be correlated with the needs of the company, with the opportunities for promotion, in this respect developing specific programs. The results obtained in any field of activity depend on the use of time, its management, determining the results of the work of the managers and of the subordinates, of the organization as a whole. The start of any improvement program must be correlated with the company's goals to be operational, so any firm must use methods and techniques provided by management science, such as knowledge-based management techniques, tactics specific to local management, as a promoter of economic development.

2. Theoretical background

By analyzing the large and multinationals operating in various areas of activity (services, industry, commerce, etc.), we observe their major impact on national economic performance. The quality and effectiveness of corporate-level management determines increased work productivity and effective organization of activities, these being the strengths of management activity. We also

identify weaknesses: reduced ability to motivate employees in the organization and poor or non-existent tactics and policies.

3. Research methodology

The highlighting of the most relevant aspects of this article, which concern the modern management of the companies, were highlighted by using Romanian and foreign literature, as well as sources on the Internet, for a better investigation of economic phenomena, without which the progress of knowledge would not be possible. Investigation methods have led to the support of economic practice by formulating answers to the presented issues.

4. Findings

Thus, some priorities have been formulated for microeconomic management. (www.economistul.ro)

Focusing on building strong product brands. (Nicolescu, Popa, Nicolescu and Ştefan, 2017, p. 418)

The branding concept includes a number of specific features that relate to consumer experience and experiences over products or services and the company that offers them, emphasizing the importance of brand-consumer relationships.

A brand is a promise. The services and products, once identified, pass on to the quality guarantee (www.mindlens.ro) The Concept of branding and promoting, the brand being the most valuable asset of a company, causing consumers to remain loyal. It is often associated with various logos or images through marketing campaigns, which stimulates consumers to associate those images with the product, services offered or to the company.

In order to boost branding of Romanian products, companies should consider taking actions such as:

- creating and defining a brand strategy by Romanian economic agents
- promoting Romanian products and services outside and within the country
- improving the overall image of Romanian products and services by participating in fairs and events at national and international level
- organizing, in the country and abroad, the days of the suppliers for the export promotion of the supply of products and services components

Identifying target markets for export and focusing on those with a high absorption capacity. (Nicolescu, Popa, Nicolescu and Stefan, 2017, p. 419)

1. Companies should focus on identifying and penetrating new markets while ensuring that they maintain their position on domestic markets. At the same time, maintaining the internal market is an impediment to the emergence of threats such as amplifying competition from external producers.

For selecting target markets, it is recommended to take into account several economic, technical and commercial criteria.

To use the mercies and resources available to promote exports on potentially favorable markets, it is necessary to approach the export of industrial products based on the selection of target markets, through intense participation in fairs, special events, exhibitions, promotion campaigns.

In order to achieve better results, they can undertake and develop public-private relationships, such as those in the European Union.

2. Connection of economic agents from Romania to international distribution networks and channels. (Nicolescu, Popa, Nicolescu and Ștefan, 2017, p. 420)

This could be done through buying, supplying, delivering and studying foreign customers' needs and adapting product products to them, setting up and endowing sales points that facilitate choice and acquisition. We find that the use and consumption of goods takes place in other countries where the necessities, preferences, tastes and needs as well as the purchasing possibilities are different from the national ones.

Thus, the priorities of the Romanian companies should be the partnerships created with the big distributors and the big networks of shops, especially the ones specialized on certain product

categories, for which they have to have high bargaining capacities and legal competences specialized in foreign trade, the result being the conclusion of contracts based on the benefit-benefit principle. Therefore, through negotiation, it is necessary to obtain rectifying advantages, referring to the terms and conditions of payment, access to certain commercial information, collaborations in the development of new products, etc.

3. Intensifying development research activities (Nicolescu, Popa, Nicolescu and Ștefan, 2017, p. 420)

Research - development must be better prerequisites for improving the performance of an economy. It is therefore imperative to grant aid for R & D and innovation, aid for access to finance for small and medium-sized enterprises (aid for start-ups).

For the sustainable development of the economy, the regions within it must develop, so the industries of these regions must be promoted: the fisheries and aquaculture sector, agricultural production, the processing and marketing of agricultural products, the steel industry, the tourism sector, the financial activities sector and insurance, business and management consultancy, etc. (www.poc.research.gov.ro)

At the same time, Romanian companies should make the most of the state aid schemes aimed at promoting cross-border cooperation in the field of research and public-private research partnerships. (Nicolescu, Popa, Nicolescu and Ştefan, 2017, p. 421)

4. Giving importance to sustainable development, sustainability. (Nicolescu, Popa, Nicolescu and Ştefan, 2017, p. 421)

The introduction of sustainable development policies in an organization guarantees value creation, thus giving importance to environmental protection and sustainable development by cutting environmental costs and increasing the number of eco-innovative products, thus creating a competitive advantage for an economic agent by providing innovation opportunities through the penetration of new markets and increased compatibility by streamlining renewable resources by reducing waste quantities and protecting natural resources by creating and developing a free market for deployment technologies and services.

5. Improving human resources (Nicolescu, Popa, Nicolescu and Ștefan, 2017, p. 421)

The human resources are the active and determinant factor of any economic activity, their efficient use having to make the most of the other resources provided by the permanent adaptability to the change of the current economy.

The improvement of human resources contributes to the increase of labor productivity, which is why the Romanian economic agents should carry out defining strategies on the costs of the production factors, especially the labor force, giving more importance to the improvement of the management of the rewards, a perceived and rewarded employee bringing added value to the organization, thus increasing the efficiency of its work.

Of great importance, specialized training should be achieved through a close collaboration between the educational system and the business environment (vocational schools, technological high schools, industrial high schools, etc.).

6. Intensify innovation (Nicolescu, Popa, Nicolescu and Ştefan, 2017, p. 421)

The innovation process has a broad scope, being the result of a long-term experiment, focusing efforts on the realization of the novelty from several factors, not just about products and technologies. They target information systems, economic methods, organizational structures, etc.

The change is the one that assures the prosperity of the company, meeting the requirements of the customers through minor changes to the product being essential for this.

The success of a business is due to innovational management which has the following principles: categorical answers to the needs and expectations of the clients, carrying out an innovation process at the level of all the departments of the company, creating partnerships, creating a passion for change, coordinating the organization's staff to achieve a good idea strong impact on all company functions.

Innovation can be a manager function. It invokes the following elements for all those involved (employees, clients, shareholders) to be satisfied with their mucus: staff training and improvement, organizational structure, informational system, decision making system, motivation system, managerial style.(www.moodle.usm.md)

Rules for enhancing innovation:

- Maintaining a permanent relationship between managers and executors;
- Not knowing and encouraging workers with an appreciable creative capacity;
- Setting up an ambitious, permissive atmosphere;
- Protecting and maintaining self-confidence of creators;
- Creating the ability of creators to work independently;
- Tolerance to creators' failures;
- Rapid evaluation of new ideas by managers;
- The moral and material motivation of creators to achieve the performances generated or facilitated by the application of innovations (www.moodle.usm.md)

Although the greatest and many innovations are found in the code of high technology industries, innovation is not technical and technological, it can also be produced in terms of distribution channels, management, adopted strategies, etc.

Thus, innovation arises from a necessity, that's why the novelty comes as a change for the better of what the need already exists; this improvement is based on the experience of the Old Man, increasing the standard of living.

5. Conclusions

Organizations, dynamic and open social systems involve a correlation between people and primordial purposes, being the interactions between people and the relationship of each participant with the overall structure of the organization.

The organization's management must encompass ways and means of action to achieve long-term national managerial priorities through complete and professional strategies that will indicate evolution and future development.

It is imperative that Romanian economic agents base their own strategies to meet their criteria by developing plans and budgets that will bring them national and international performances, taking into account the European Union's recommendations for the building of the knowledge-based economy, the organizations should also modify the great opportunities offered by EU integration, internationalization of actions, contacting professional management system firms that lead to efficiency, efficiency and performance, and to recover the gaps in improvement over European business agents. In order to create a modern and friendly business environment, the legal framework should be improved to consult organizations and evaluate the cost-benefit of small and medium-sized enterprises, stimulate the development of entrepreneurial culture since primary school, continuing with high school, vocational school and then university, the use in all types of organization of modern management systems, methods and techniques for encouraging efficient regional development, indigenous as a promoter of the economic, social and political program.

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Business Performance Evaluation, in the Light of Corporate Social Responsability

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Abstract

Global economic and social changes determined managers to change traditional strategies and to approach business performance from new and totaly different point of views. Future strategies should pursue the value creation to all stakeholders. The aim of the article is to draw attention to the increasingly important Corporate Social Responsability (CSR) and to make proposals to measure it and to accommodate it in the Financial Reports. As a first step, I will make on overview of the theoretical approach of the (CSR) subject, than, I will present and propose a group of indicators to measure the CSR activity. Regarding to the material and methods, I used several CSR Reports, internationally recognized and applied indicators (e.g.: DJSI), rates for a quantitative and qualitative performance analysis). This paper brings a possible alternative to evaluate the companie's responsible behavior. Indicators are evaluating the companies accordig to different aspects. In addition to accounting and financial reporting, introducing the social (and environmental) reporting, would certainly have interest for local community (and not only), therefore the author recommend inclusion the results of corporate responsible evaluation in the notes to the Financial Statements mandatory for every enterprise.

Key words: social responsability, value creation, business performance

J.E.L. classification: G 32

1. Introduction

Business performance has been, it is and it will be, in the future too, a greatly discussed and studied topic by literature and everyday practice. Studying the broad range of definitions for performance notion (Neely et al., 1995; Rappaport, 1998), most definitions link the performance to other economic concepts, such as efficiency, effectiveness, achieving goals, productivity, profitability, etc. In my opinion, the business performance of the companies means reaching their own well-defined objectives, which can only be achieved with efficiency and profitability. Given the financial, social and environmental changes, managers have realized that it is no longer enough to deal with the performance of the companies solely based on economic, accounting and financial statements. Sustainability of businesses depends not only on them but, more and more on all directly or indirectly connected factors with the enterprise (eg. customers, employees, suppliers, different institutions, organizations, local community, society as a whole, etc.). Future strategies must aim at value creation, but not just for shareholders or customers, but also for all stakeholders (A. Neely et al., 2002). For sustainability, is needed something more give it for society, through different actions and strategies that have an impact on society and on environment. Sustainability of enterprises can be influenced by society, by the local community. It has been proven by countless examples that society can have a strong and direct impact on businesses. For this reason, companies' sustainability can no longer be separated from the Corporate Social Responsibility (CSR). Social responsibility includes those activities that lead to the development of society.

The point of the paper is to attract attention to the importance of social responsibility, to make public the efforts of companies in this regard and to inform better the society about these business processes, by including the CSR activity indicators in the Financial Statements.

2. Literature review: Social responsibility

Holme – Watts (2000) defines social responsibility as a commitment by organizations for an ethically behavior which leads to economic development along with improving the families, the local community's and society's quality of life. According to them, CSR includes the following five topics: human and employee rights, environmental protection, community involvement, supplier relations.

The European Commission defined Corporate Social Responsibility (CSR) as:"a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". (http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52011DC0681).

Howard Bowen, also called the CSR parent, defined CSR as organization's commitment to behave in a way that will lead to the values and goals for society (Bowen, 1953). According to McGuire (1963), organizations have not only economic goals and obligations, they should have also some social responsabilities too.

Another definition for social responsibility, which is worth mentioning, belongs to the authors Keith Davis and Robert Blomstrom (1966). The authors refers to the effects of the person's or organization's decisions and actions effects con the society.

Harold Johnson's (1971) states that companies are doing so for CSR because they are clear that this will lead to higher profits. In this view, social responsibility is is a tool for long-term survival (Carroll, 1999). Henry G. Manne and Henry C. Wallich (1972) accentuated the voluntary nature of CSR actions (Manne, Wallich, 1972).

In 1975 appears the notion of "public accountability" (Preston - Post, 1975). Authors (Preston – Post, 1975) said that they use rather the notion "public" than "social" to "stress the importance of the public policy process, rather than individual opinion and conscience, as the source of goals and appraisal criteria" (Carroll, 1999).

The modern definition of CSR belongs to Carroll (1991). In his opinion elements like economic, lawful, ethical and philanthropic can compose the social responsibility.

The interest shown by society to theese actions of the organizations has led to the development of various strategies in the field of social responsibility. More and more companies (especially multinationals) publish on their websites their activities in this regard. These policies generally refer to ensuring employees' rights, working conditions, environmental protection, education, community development, community investment, etc.

To support these initiatives, different standards of social responsibility were developed. We can mention:

- Workplace Standards (SA 8000 Working Conditions, ILO-OSH 2001 Occupational Health and Safety Management, OHSAS 18001 Occupational Health and Safety)
- Quality management standards and other frameworks (ISO 9000, EFQM Model European Foundation for Quality Management, ISO CR MSS ISO Standards for Social Responsibility Management System)
 - Environmental Management Standards (EMAS, ISO 14000)
 - Other national initiatives
 - The International Standard on Social Responsibility ISO 26000
 - GRI G4 model, etc.

These reporting standards give us an idea of how organizations should behave and act in terms of social responsibility, and provide a non-financial reporting model.

3. Material and methods

According to the purpose of the article, I studied definitions and interpretations from Romanian and international literature for CSR, as well as CSR reports and performance measurement methods and models. To measure the effects of sustainable development activities, I have studied indicators used in many countries (e.g.: Dow Jones Sustainability Index – DJSI; Sustainable Value), rates for a quantitative and qualitative financial performance analysis, elements that are present in the Financial Statements and characterize the CSR activity, as well as the indicators used to measure

the National Strategic Goals of Sustainable Development in Romania. Using these and the performance indicators used in the CSR reports, I have compiled a set of indicators that can measure and characterize the CSR business activity. Since CSR activity does not depend on the size of companies, I used only relative indicators (rates) in the compiled indicator group, thus eliminating the effects of the size difference between companies.

4. Assessing social responsibility activity

4.1 CSR reports

Besides the accounting and financial reporting, CSR Reports have also begun to emerge in Romania. These reports are made in a wholly voluntary manner, especially by international companies such as KMG International, Unilever, Ursus Breweries, Coca-Cola Group, GSK Romania, Heineken Romania, Denkstatt Group, Raiffeisen Bank, KazMunayGas, Lafarge Romania, Global Compact, Petrom, Orange Group, Siveco Romania, Sonae Sierra, Cosmote, etc. Most of these reports are based on the GRI G4 model, the international standard for non-financial reporting. The most important areas analyzed in these reports are: employees, environment, community, responsible products, etc.

4.2 Social responsibility performance evaluation

Evaluating the performance of enterprises from the perspective of social responsibility is difficult to achieve. Social responsibility assessment could be done through different social, human, environmental indicators.

As the world's first and most accepted global sustainability indicator (Dow Jones), the Dow Jones Sustainability Index. The annual analysis is based on a complex online questionnaire (80-120 questions). Calculation of the index is based on several criteria / dimensions: economic size: 33%, average size: 33% and social dimension: 33%.

Bircea (2015) draws attention to elements related to the CSR activity, already existing in the Financial Situations (annual expenditure on environmental protection). Bircea (2015) shows the monitoring of sustainable development at Romanian level, which is carried out with a set of indicators (46 indicators) structures according to the objectives of the National Strategy for Sustainable Development.

Another indicator is presented by Figge - Barkemeyer - Hahn - Liesen (2006), the Sustainable Value indicator. Sustainable Value measures the sustainable performance in monetary units. To do this, it uses the logic of financial analysis: an investment creates value if it results are higher than the value of the investment. Sustainable Value applies the theory of investment analysis for environmental and social resources too. To create value, the result of using environmental and social resources must cover the cost of these resources.

This paper provides a model of social responsibility assessment using indicators, applicable by all companies, regardless of their field of activity or size. The purpose of this model is to help smaller firms also develop their CSR report without requiring too much financial and human effort. The responsible behavior of businesses does not depend directly on their size. A small enterprise can behave more responsibly than a large enterprise and vice versa.

An analysis of the organization's responsible behavior could be done based on a set of indicators, including human resource issues, responsible products, the local community, the environment, etc (Table no.1).

Table no. 1 Indicators for social responsibility assessment

Group of indicators	Indicators
Indicators on human resources	Work conditions Number of disabled workers with low work capacity Fluctuation in the number of employees Benefits packages received by employees Occupational health Promotional Opportunities
	Number of non-motivated hours / absences motivated-unmotivated Respecting the human rights Number of hours used to prepare employees Number of complaints filed Number of work accidents
Indicators on commercializing responsible products	Healthy products Labeling of products Innovations
Indicators on the local community	Use of materials purchased from local producers Distribution of local products Open days possibilities Social actions Sponsorships, aids, support
Environmental indicators	Waste recycling Recycling paper Non-polluting production process Using consumables made from recycled materials (eg. paper)
Other indicators	Ethical behavior Transparency No complaints, negative reports submitted to the firm
Indicators on communication (to employees and society)	Number of hours used for communication

Source: own edited

The issue of measurement / measurability of these indicators emerge. For a fair assessment and analysis, the following should be considered:

- The social responsibility should not be marked by the size of the organization. So, the value of the indicators will be determined based on relative results (eg. number of employees with disabilities will be evaluated by their percentage in the total number of employees);
- Indicators or activities with zero value (if the indicator or activity is not present at the organization level, so there is no social responsibility in terms of that indicator) is negatively evaluated.

The assessment companie's social performance can be made according to the following score applied to the results of the aforementioned indicators (Table no. 2). The social responsibility fields that are not present in the enterprises are negatively evaluated, respectively the social responsibility activities are evaluated gradually and positive.

Table no. 2 Value of indicators

Percent	Value
0	-3
1 – 20%	1
21 – 40%	2
41 – 60%	3
61 – 80%	4
81 – 100%	5

Source: own edited

5. Conclusions

As I have mentioned, the recommended indicator group and calculation method is designed to help smaller firms with limited financial and human resources to prepare and make a CSR report. The model is a simple one, applicable to all economic agents, regardless of size, ownership, field of activity, etc. This model or elements of this model could be introduced in the Annual Financial Reports, which would provide better public information for the CSR business activity. Introducing the obligation of social (and environmental) reporting would certainly be of interest to the local community.

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Section V

Finance and Accounting

The Role of Internal Audit in Corporate Governance to Substantiate the Decision

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Abstract

Apart from the available research in the field, which is mainly based on quantitative data, the present study uses a wide range of qualitative data in order to detect certain more profound attitudes in the relationship between internal auditing and stakeholders. Investors may wish to provide assurance about the objectives and consultancy on risks and supervision. The success of efficient and effective functioning of corporate governance mechanisms requires integrity, ethical values and professional skills in the active participation of professionals. The research is focused on the relationship between business decision-making and governance. The issues upon which the research is focused relate to the degree of involvement of various stakeholders in corporate governance, especially risk management and internal audit.

Key words: internal audit, corporate governance, risk management, internal supervision

J.E.L. classification: G30, G32, G34, G40

1. Introduction

For many categories of decisions, risk represents, together with efficiency, a major assessment criterion for decisional variants (Arrow, 1965; Bell, 1983; Kahneman&Tversky 1986; Markowitz, 1987; Miller, 1992; Ricciardi, 2007). Descriptive approaches within the decision theory have revealed some features of how managers act in conditions of uncertainty. Faced with the risks, they do not just evaluate but also apply active measures to diminish potential losses (March &Shapira, 1987 Rejdice, 2001 Meulbroek, 2002 Nocco&Stulz, 2006; Desender, 2007). The choice and implementation of such measures are the subject of the internal audit through risk management that is an important function of business management. Changes in the business environment over the last decades, especially those generated by the global crisis, have created new challenges for internal audit. Some sophisticated methods of identifying and assessing risks have proved to be ineffective in the context of developments difficult to predict (Jorion, 1999; Rosen, 2003, Stulz, 2008, Shojai&Feiger, 2010).

Internal audit is a key element of company governance, risk management and internal supervision. Creating an effective audit function is a real challenge for organizations. The competitive advantages that can be achieved fully reward the invested efforts (resources) and comprise: the improvement in the processes of risk management and environmental supervision, strengthening interactions with regulators, better efficiency through governance, better efficiency in risk management and compliance activities (Boghean F., 2014)

2. Methodology of scientific research

This contribution entitled "The role of the internal audit in corporate governance to substantiate the decision" has a *conceptual and also methodological dimension*. Firstly, we will address the conceptual research dimension by which we will investigate the current concepts and corporate governance to identify and manage specific risks. The type of the research undertaken will then

acquire a *methodological* dimension, through the fact that the steps taken will result in the presentation of a simulation model useful in the decisional processes specific for the capital market. The research is of a qualitative nature. We tried to emphasize the internal audit role in corporate governance with the purpose of substantiating decisions. In our analysis, our scientific approach is based on a deductive approach from general to particular. Thus, we started from the current state of knowledge by defining the key concepts of internal audit.

3. Theoretical background: Risk management systems assessment

The need to implement a model in which risk management responsibilities are clearly defined and properly implemented has led to the emergence of the three lines of defense model. The primary responsibility for managing risks belongs to business departments, where these risks are generated, and which are the first line of defense. It is essential for the business to know the risks arising from its day-to-day work and to take the necessary steps to manage it. The second line of defense, namely the risk management function, has the primary responsibility to provide business support, namely to develop the framework for effective risk management and oversee its implementation by the front line. Therefore, the second line will provide opinions to help the front line take the most accurate decisions and will alert the business if it believes that its decisions are not aligned with the risk principles.

Internal audit is, as stated by one of Deloitte's representatives, "the third line of defense, and has the role of analyzing the work of the other two lines, thus providing an independent perspective on risk management within the organization." (Ṭiṭirigă Mădălina, 2018)

In a synthetic presentation, there is a shiftregarding the focus, from the internal audit function towards threats to the strategies. In today's environment, a member involved in the management of a public organization might ask (Hoag, Dana L., 2010):

Is it possible for external environmental changes to threaten the achievement of my organization's strategic goals?

- Can the entity's assets be stolen?
- Is the information system and financial reporting organized in order to avert the entity in the event of unwanted situations?
- Communication with different categories of users is done taking into account the specific standards of the economic environment in which they operate?

Professionals accountants and internal auditors are increasingly required to assess and report on threats to an entity. At the process level, several countries now need a management or an executive to suit internal control including to risk control processes.

4. Necessity and contributing factors to the corporate governance development

Financial management could not function without information in general and without financial accounting information in particular. Information such as economic, financial, accounting and market information is indispensable for knowing and applying management objectives. For making financial decisions, it is essential to corroborate economic policies at a macroeconomic level with strong governmental footprints, with individual financial decisions taken at the microeconomic level. (Shleifer, Vishny, 1996)

Risks management failures in large corporations have captured the front page of newspapers: environmental disasters such as Fukushima, also accounting frauds (e.g. Olympus, Enron, WorldCom, Satyam, Parmalat, Xerox), or bribery (e.g. Siemens, EADS). One of the shocks of the financial crisis was a failure of risk management. Often, the risk was not effectively managed by companies and because the risk manager was separated from other management structures and not regarded as an essential element of the corporate governance (OECD, 2014):

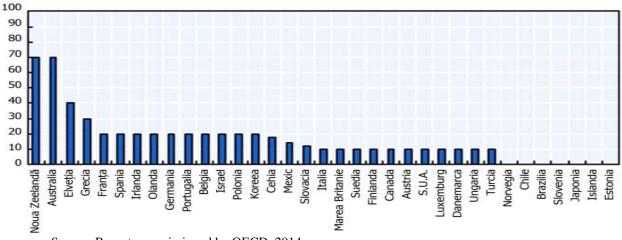


Figure no. 1. Companies with an explicit risk committee (2017)

Source: Report commissioned by OECD, 2014

Analyzing a series of studies undertaken in the United States, Canada, the United Kingdom and Australia we have found that corporate governance pursues the following reasons (OECD, 2014):

- Accountability to shareholders provides a single measurable objective that avoids the risk of
 disseminating responsibility to managers and executives. If managers and executives are
 responsible, almost any action can be justified and this gives managers and executives unlimited
 authority;
- the long-term focus of shareholders. The value encourages capital investments to be realized in the most efficient way from a market perspective. In the figure below, according to a study by McKinsey & Company, Investor Opinion Survey, we can observe the elements affecting investment decisions. Percentages reflect the proportion of the total number of institutional investors interviewed who indicated that each of these factors was important to them.



Figure no. 2. The relevance of elements affecting investment decisions

Source: McKinsey & Company Processing, Investor Opinion Survey - The Globalization of Corporate Governance

New technologies and the removal of trade barriers, truly global markets have been created with global competitors for goods, services and capital and even for corporate control. A new level of economic interdependence is current and is deeper and wider through new cross-border business projects, relations between nations, which present a significant signal for change from all the aspects of society, from culture to labor markets and various global policies. Own equity funding, which has long been significant in the U.S. and the UK, have already become a very important source of capital investment in many European and Asian nations.

Figure no. 3. Are investors willing to pay more for a company with good boarding gouverance practice?



Source: McKinsey & Company Processing, Investor Opinion Survey - The Globalization of Corporate Governance

According to chart no. 3 we can easily observe that investors are more than 80% willing to invest in a company with good corporate governance practices. For Asian companies, the investors' interest is approaching 90%.

Corporate governance, risk management and internal supervision are essential practices in conducting the efficient work of some entities. Of course, success is not only guaranteed by positive thinking and optimistic slogans, being mainly based on the way in which the company is run and organized, the integrity of staff, particularly of those in very high positions, business ethics, providing staff with reasonable pay. In the following table are presented the most important codes elaborated after 1997, as well as the issuers and its objectives.

Table no. 1. Corporate governance codes in the countries of the European Union

Organul emitent	Denumirea codului, anul emiterii	La ce companii se referă	Obiective
Governmental and quasi-governmental-mental organizations	Recommendations of the Finance and Banking Commission of Belgium (1998)	Listed companies.	Raising the quality of governance.
	The Recommendations of the Portuguese Securities Market Commission (1999)	Listed companies. They can serve as a model for other companies as well	Increasing company performance, competitiveness and access to capital
	Guide of the Ministry of Industry and Trade of Finland (2000)	Listed companies.	Increasing the company's performance, competitiveness and access to capital
Stock Market Commissions and Business Associations	The Cadbury Report (1992), (UK)	Listed companies. They can serve as a model for other companies as well	Raising the quality of governance of the supervisory boards, inclusively by stipulating rigorous requirements for disclosure information.
	The Peters Report (1997), (The Netherlands)	Listed companies.	Raising the quality of governance of the supervisory boards
	The Hampel Report (1998), (UK)	Listed companies.	Raising the quality of governance of the supervisory boards, inclusively by stipulating rigorous requirements for disclosure information.
Business associations	The Vienot Report (1999), (France)	Listed companies.	Raising the quality of governance of the supervisory boards
	Chamber of Commerce, Industry and Employers Confederation (1997), (Finland)	Listed companies.	Raising the quality of governance of the supervisory boards
	Greenbury Report (1995), (UK)	Listed companies. They can serve as a model for other companies as well	Raising the quality of governance of the supervisory boards, inclusively by stipulating rigorous requirements for disclosure information.
	Berlin Code of Conduct (2000)	Listed companies. They can serve as a model for other companies as well	Raising the quality of governance of the supervisory boards
	Code of the Institute of Secretaries and Administrators (1991), (UK)	Listed companies. They can serve as a model for other companies as well	Raising the quality of governance of supervisory boards and disclosing information to shareholders
Investors' associations	Committee of Institutional Shareholders (1991), (UK)	Listed companies.	Raising the quality of governance of supervisory boards and disclosing information to shareholders
	The recommendations of the VEB (1997), (The Netherlands)	Listed companies.	Raising the quality of governance of supervisory boards and disclosing information to shareholders

Source: author's own processing

From the analysis of this table we can see that among the subjects recommended by these codes is the creation of firm audit committees (Hampel from UK, similar codes issued in France and the Netherlands) consisting of independent executives responsible for financial reporting of the firm and monitoring internal audit and external audit. In fact, the audit committees have become a common feature of European firms, reflecting the tendency to improve the corporate governance structure (IIA, 2015).

5. Conclusions and proposals

In a fairly unstable economic and political environment, risk management has become a much more complex process and the importance given to the risk management by managers has increased by 40% in 2018 compared to 2017. Financial stability is directly influenced by how risk management is dealt with. The benefits are many, such as reducing unexpected losses, optimizing expected revenues and expenses, risk premiums and volatility of financial results, increasing financial position, etc. The benefits of customers, shareholders and investors are not delayed by effective risk management and these can be: tariff optimization, increased quality and diversity of services and products, digitization of products and services, increased cyber security, increased information risk exposures, dividend increases.

Internal auditing through added value to the company contributes to improving operations and building an image of integrity, thus strengthening the position of the entity in the financial market. The internal audit is designed to advise managers, to identify the main risks and to be considered the most important risk assessment tool. Furthermore, it has the role of assessing internal control and its effectiveness and providing recommendations to managers to help them make the best decisions. Auditors increase the effectiveness of internal control and, by doing so, they fight against fraud by increasing the transparency of the economic and financial operations undertaken. The activity of this department is very important, becoming a "key" department of society. (Boghean F., 2016).

Efforts should be made to maintain the importance of these practices and the compliance with national and international standards regarding corporate governance and risk management.

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The Role of Internal Audit in Fighting Corruption

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Abstract

The present paper relates to the key role of internal auditors in reducing corruption and bribery on public governance. Risk mitigation starts from the top of organizations, requires a strong compliance environment and organizational culture, developing and implementing anti-corruption programs. Public and private organizations are more conscious over bribery and corruption and are trying to combat them by respecting international agreements, regional conventions, best practice guidelines and corruption perception indicators and cases. Fighting corruption means also detecting risks as a main worldwide concern. The most efficient way to combat it is to prevent it, by developing implementing ethics standards, procedures and policies, implementing processes, conceiving clear and strong laws.

Key words: corruption, bribery, auditing, accounting

J.E.L. classification: D73, M42, H83

1. Introduction

Bureaucracy comes along with corruption and audit failure leads to poor organizational performance. Corruption is driven by economic, political and sociocultural factors and has a high impact on tax revenues, diminishes trust and domestic investments. Corruption reduces legitimacy of the public institutions for citizens, market competition and economic growth, restricts raise living standards, weakens product quality, leads to higher prices. Adequate anti-corruption programs include defining top management's leadership towards ethical behavior, honesty and integrity, the organization's governance structure, risk assessment, communication, monitoring and auditing, investigations and reports, enforcement and sanctions, and reviews and updates (IIA 2014).

2. Theoretical background: Understanding terms of corruption

We can define *corruption* as a form of dishonest or illegal behavior, which involves a person entrusted with power. Corruption is associated with persons with authority that can use their power on their own benefit or on their peers (businesses, friends, family) in exchange of some form of services, gifts, and money.

There are several categories of corruption but we usually refer on the political corruption which occurs on highest levels of political authority and bureaucratic corruption that appears when the execution of public policies takes place, and concerns the local or central public administration employees.

Table no. 1 Types of corruption, explained

Corruption forms	Definition
Bribery	The act of offering, promising, giving, accepting or soliciting of an advantage as an inducement for an action which is illegal or a breach of trust. [Transparency International]
	Bribe reflects the money or the value used for corrupting a person's behavior.
Embezzlement	It refers at the act of converting in a fraudulent way the money or property of someone for own use by someone who was in charge of keeping them safe. Wikipedia embezzlement as a premeditated crime, performed methodically, with precautions that conceal the criminal conversion of the property, which occurs without the knowledge or consent of the
Facilitation payment	affected person. It refers to a type of bribe which is given to a government official to accomplish or hasten one of his duties.
Fraud	It consists in a breach of confidence aiming to gain an illegal benefit.
Collusion	A conspiracy between two parties in order to cheat or deceive a third party; Dictionary.com defines it as a secret agreement for a fraudulent purpose.
Extortion	It is the practice of obtaining something, especially money, through force or threats [oxforddictionaries.com]
Patronage, clientelism and nepotism	Patronage is the support, encouragement, privilege, or financial aid that an organization or individual bestows to another [Wikipedia.com]. Clientelism refers to the social order that patronage relations refers to. Oxford dictionary defines nepotism as the practice among those with power or influence of favoring relatives or friends, especially by giving them jobs.

Source: Authors explanations of types of corruption and (Transparency International, Wikipedia, Dictionary.com, Oxforddictionaries.com)

3. Findings

Corruption leads to a decline in development, economic stagnation, social regress, raises the living standards costs and affects citizens from their birth until the death, from countries of all stages of development. A mother can go to hospital for giving birth to her baby and is obliged to pay the doctor a bribe for the delivery procedure, while another is desperate because of a family death and pays no matter how much for a burial tax in a 'good' rest place and religious service, of course, with no invoice given.

According to the Global Corruption Barometer, one in four persons around the globe paid a bribe when accessed public services in 2016, and the percent of Romanians who paid graft for public services in the same year of study was 20 - 30%. We cannot affirm weather losing confidence in public organization is a matter of cause or effect of corruption.

It is proven that if businesses consider that other businesses have unfair privileges may also lack trust in the judicial system and tend not to pay their taxes and are likely to pay bribes.

Romania has started a stronger fight against corruption fifteen years ago, and in the last ten year prosecuted more high-level officials for corruption than any other EU state. As the EU Anti-Corruption Report for our country states, 50 members of the Parliament and 10 ministers were investigated by the and more than 5200 fines were applied by the National Integrity Agency (ANI).

Romanian Court of Accounts is the independent institution that conducts audits in the public Romanian institutions and informs the Parliament, the Government and citizens about how the public money is spent. Only in 2014 they evaluated a financial impact that damaged the state with

€395,7 million and in 2015 the non-compliance with legal regulations led to a loss of €812,9 million. This loss occurred either from the failure of setting, tracking and collecting some budget revenue, or causing damage or distorting data and information in the financial statements. In 2017, along with the change of the RCA leadership, the evaluated losses from the conducted audits were totalized at € 374 million.

Nonetheless, this not means that we have combated or diminished corruption in Romania. People continue to die because of corruption. The only way to fight against it remains building a system from basis, implementing standards for controlling corruption, with a free press, people with honest mentalities, acting for justice.

4. Preventing and detecting corruption through auditing

Public and private organizations are more conscious over bribery and corruption and are trying to combat them by respecting international agreements, regional conventions, best practice guidelines and corruption perception indicators and cases.

Organizations conduct audits as most effective method to monitor corruption and bribery. Audit failure directly influences organizational performance.

Anti-corruption authorities may be successful if they are independent, they have strong financial resources and well implemented mechanisms and if they act in a strong governance environment. Public awareness has a strong impact on fighting against corruption by holding public institutions accountable and supporting anti-corruption reforms, citizen engagement, participatory budgeting.

The organization's board needs to set through a code of conduct, including anti-corruption policies and admit zero tolerance regarding its appliance. The role of internal audit consists in assuring that management attitude towards corruption is utmost prohibitive and well known across the organization.

Policies should explain the way would behave in case of corruption to their employees, partners or other stakeholders. Procedures will include third party protocols, especially acting with government officials, payment processing, including risky accounts, expenditures reporting, revenue recognition, reserves, training, conflict of interest.

Auditing helps assess the anticorruption programs, foresees risks and detects the existing and potential incidents. (IIA, 2014)

On the one hand, audit can be used to check on each component of the anti-corruption implemented program and, on the other hand, include in every audit an evaluation of anti-corruption actions. The role of internal audit, according to IIA and Deloitte Global Center for Corporate Governance, should:

- include specific procedures to evaluate corruption and bribery risks,
- evaluate corruption schemes,
- evaluate internal control environment,
- correlate the outlook of the audit techniques with evaluated risks,
- evaluate the entire compliance structure, legal and internal audit function,
- risk assessment evaluation criteria for accounts and activities,
- evaluate trainings as content, frequency and methods of delivery,
- assess the effectiveness of due diligence system (policies and procedures, business sponsor partnership, requirements for due diligence, risk ranking, red flags protocols to identify and resolve them, contractual certification, mergers and acquisitions)
- evaluate the whistleblower reporting systems,
- assess monitoring and review of processes, protocols for investigating and reporting, internal audit programs
- evaluate disciplinary and incentive procedures for non-compliances

Auditing must have response and remediation procedure if there are case evidence of illegal acts of conduct. First of all internal audit should seek legal advice or make a recommendation for management to ask for it. Internal audit should work together with an investigation team and management to conclude the existence of a irregularity and measure its effect.

5. Conclusions

Weak governance and low institutional quality lead to corruption. Investments area, social spending and environment suffer the most due to corruption, including deforestation, pollution, smuggling wood or wildlife.

There are different types of corruption, so various solutions need to get implemented, depending on the framework, stakeholders and nature of the corrupt behavior, such as: public financial management, supreme audit institutions, direct anti-corruption interventions and social accountability initiatives.

Democracy of a state and freedom and independence of the press may have positive effects in anti-corruption game, emphasizing the social accountability. The internal audit role is to share information with other functions of the organization, like external audit, compliance and fraud investigation.

Fighting corruption means also detecting risks as a main worldwide concern. The most efficient way to combat it is to prevent it, by developing implementing ethics standards, procedures and policies, implementing processes, conceiving clear and strong laws. A measure in preventing corruption and bribery can be training employees working in public administration, and generally speaking, the persons dealing with power, about ethics and integrity with the aim to stand against graft.

Accounting standards and audit techniques should be modified in such a way that corruption should not be seen only as internal fraud (which can have a significant impact on the financial statements) but also as an illegal act. (Ivakhnenkov, 2016) For fighting against corruption is necessary to have cooperation between regulatory authorities, independent internal auditors, etc.

Corruption is a problem of education, cultural and political background. It is proven that the higher educated societies are, the lower their corruption level is, so it is important to pay more attention to the education system and governance of a country. A solid organizational culture and a more rigorous legal framework on governance matters will be able to improve the public institutions' performance, will increase their efficiency in fighting corruption and adopt an anti-bribery behavior.

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Contagion and Comovement – Does the Initiator Matter

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Abstract

We use the wavelet analysis in order to test the presence of financial contagion between three developed Western European capital markets and the Romanian capital market in the recent financial crisis. We test the presence of contagion between the Romanian market and the German, French and United Kingdom markets using wavelet based framework. Our results indicate pure and fundamental contagion between all the Western European capital markets and the Romanian market. Furthermore, we found that there aren't any significant differences when we take into consideration the initiator as the Romanian capital market reacted in a similar manner towards all the markets in the analysis. Thus, during the sub-prime crisis, the Lehman Brothers collapse or the sovereign debt crisis the initiator didn't matter as the effects were similar in the Romanian market. This implies that the Romanian market is sensitive to short-term shocks from the Western European capital markets, which leads to a long-term fundamental contagion.

Key words: financial contagion, capital markets, financial crisis, wavelet analysis

J.E.L. classification: M42, M48, H83

1. Introduction

In the aftermath of financial crisis from 2007-2009 the importance of analyzing the contagion and comovement phenomenons has been a key focus for investors and risk managers, but especially international and national policy makers. While investors and risk managers are interested due to the adverse effects of contagion phenomenon on international portfolios, the international and national financial authorities seek out to find methods and instruments required to isolate and reduce the effects of an external shock on the internal financial markets. Therefore, the study of the contagion phenomenon is important both for investors who seek out to reduce the risk associated to their investments via international diversification, but also for policy makers who want to increase the resilience of internal markets to external shocks. This is even more important in periods of global financial crisis when investors tend to act irrationally, which decreases the effect of international portfolios diversification, but also increases the effect of external shocks on national financial markets.

2. Theoretical background

While the effects of the contagion phenomenon are dependent on the initiator or the recipient of the external shocks, we need to distinguish between fundamental and pure contagion. In general, we consider that the pure based contagion phenomenon is the most destructive as it involves the manner in which a financial markets reacts to short-term shocks, while the fundamental based contagion highlights the role of the macroeconomic factors in preventing or spreading the shock on a global scale (Forbes and Rigobon 2002). While many studies, like (Gallegati 2012; Kiviaho et al., 2014; Dewandaru et al., 2016, Cărăuşu, 2017; Cărăuşu et al., 2018) have emphasized the role of the US capital market in initiating and escalading the contagion phenomenon in the recent financial crisis, the debate is still ongoing.

One of the major issues of previous studies involves around on focusing testing the effects of external shocks from the US markets to developed markets (Gallegati 2012), or to emerging markets (Kiviaho et al., 2014, Cărăuşu, 2017), but they ignore additional initiators that could arise from other markets such as the European Union financial markets. In the case of the Romanian capital market but few studies, test additional initiators but with mixed results. (Syllignakis and Kouretas 2011) find signs of pure contagion between the German most CEE countries during 2008-2009. Meanwhile, (Cărăuşu et al., 2018) finds evidence for the contagion phenomenon between the Western European capital markets and the markets from Bulgaria, Croatia, Czech Republic, Hungary, Latvia, Lithuania, Poland and Romania, but no sign of contagion for the Slovakian and Estonian capital markets.

However, few studies try to test the effect of the Lehman Brothers bankruptcy on the contagion phenomenon from Western European capital markets on the Romanian capital market. Also, few studies use modern methods of analyzing financial contagion such as the wavelet analysis which allows the testing simultaneously both pure and fundamental based contagion.

Therefore, the aim of this paper is to investigate if the Romanian capital market experienced pure financial contagion from the German, France and United Kingdom capital markets in the outbreak of the recent financial crisis. The rest of this paper is organized as follows: section 2 presents the data use in the analysis, section 3 presents the methodology, section 4 presents the empirical results while section 5 concludes.

3. Data

The aim of our paper is to test whether the Romanian capital market exhibited a contagion phenomenon in relation to the major European capital markets: Germany, France and United Kingdom. We chose these three markets, as they are the most developed and influential capital markets in the European Union. In order to test the presence of contagion we will use the specific stock market indices for each country namely: BET - Romania, CAC40 - France, DAX30 - Germany and FTSE100 - United Kingdom. Furthermore, will split our sample into two distinct periods an *ex-ante* and *ex-post* period with an length of 256 trading days similar to (Dewandaru et al., 2016; Cărăuşu, 2017). In addition, we will eliminate all non-trading days, legal holydays in each country, which reduces our analysis period from 19 July 2007 – 19 November 2009.

The stock market indices, collected from DataStream, are transformed into daily returns by calculating the logarithmic differences of the daily end prices as in r_t = $ln(P_t/P_{t-1})$, where P_t and P_{t-1} represent the stock price index at time t and t-1, respectively. In order to test the actual contagion phenomenon we will use the indices in local currencies as in previous studies like (Kiviaho et al. 2014; Cărăuşu et al., 2018) because Mink (2015) indicates that using other currencies could capture the effects of changes in the exchange rates between two or more currencies. Table no 1 contains the descriptive statistics for all the data, including the two sub samples. The first sample contains data from 19 July 2007 and until the Lehman Brothers collapse in 14 September 2008, while the second samples contain data from 16 September 2008 - 19 November 2009.

Table no. 1 Descriptive statistics

	RO1	RO2	RO	FR1	FR2	FR	DE1	DE2	DE	UK1	UK2	UK
Mean	-0.0028	-0.0001	-0.0014	-0.0012	-0.0005	-0.0009	-0.0009	-0.0003	-0.0006	-0.0007	-0.0001	-0.0004
Med.	-0.0016	0.0005	-0.0003	-0.0008	-0.0001	-0.0003	-0.0005	0.0007	0.0002	-0.0002	0.0006	0.0006
Max.	0.0451	0.1009	0.1009	0.0583	0.1059	0.1059	0.0576	0.1079	0.1079	0.0464	0.0964	0.0964
Min.	-0.0756	-0.2201	-0.2201	-0.0707	-0.0947	-0.0947	-0.0743	-0.0861	-0.0861	-0.0563	-0.0926	-0.0926
Std. Dev.	0.0199	0.0350	0.0285	0.0161	0.0276	0.0226	0.0142	0.0267	0.0214	0.0158	0.0249	0.0208
Skewness	-0.4405	-1.103.0	-1.025.8	-0.1963	0.1685	0.1408	-0.4816	0.1924	0.1383	-0.0862	0.0873	0.0749
Kurtosis	3.617.5	9.547.9	1.113.3	4.198.2	6.096.9	7.325.5	6.344.6	6.063.8	7.985.2	3.430.6	6.381.5	7.043.2
Jar. Ber	1.234.9	5.092.6	1.500.9	1.695.9	1.035.2	4.008.5	1.292.2	1.017.0	5.318.3	2.296.1	1.222.9	3.492.2
N	256	256	512	256	256	512	256	256	512	256	256	512

Source: Own computations by the authors on data provided by Datastream

4. Methodology

In order to test the presence of pure and fundamental contagion we will use the methodology developed by Gallegati (2012), which involves plotting and testing specific indicators from the wavelet analysis.

4.1 Multiscale Analysis of Correlation

In order to test the presence of market contagion we will use the multiscale analysis of correlation, which allows testing the degree of independency between two variables at different scales and periods.

If we calculate the variance at scale j, $\sigma_X^2(\lambda_j)$ for a stationary stochastic process $\{X\}$, at the variance *j-level* and the time t, we can calculate the wavelet coefficients from the MODWT (Maximal Overlap Discrete Wavelet Transform) filter as in formula (1):

$$\sigma_X^2 \left(\lambda_j \right) = Var\left(\omega_{j,t}^X \right) \tag{1}$$

Moreover, we can calculate the degree of covariance between two processes X and Y that takes into account the scale degree of dependency as in formula (2):

$$\gamma_{XY}(\lambda_j) = Cov(\omega_{j,t}^X \omega_{j,t}^Y)$$
 (2)

Where $\omega_{i,t}^X$ – is the stochastic process obtained by filtering the X_t series with the MODWT filter.

Furthermore, with the help of two unbiased estimators $\tilde{\sigma}_X(\lambda_j)$, $\tilde{\sigma}_Y(\lambda_j)$, and the scale dependent covariance $\tilde{\gamma}_{XY}(\lambda_j)$, we can compute the wavelet correlation coefficient between two variables $\rho_{XY}(\lambda_j)$ as in formula (3):

$$\tilde{\rho}_{XY}(\lambda_j) = \frac{\tilde{\gamma}_{XY}(\lambda_j)}{\tilde{\sigma}_X(\lambda_j)\tilde{\sigma}_Y(\lambda_j)} \tag{3}$$

As recommended by Gallegati (2012), we can test the presence of contagion via the confidence interval of each individual estimator of the wavelet correlation for scale j, $\tilde{\rho}_{XY}(\lambda_j)$. By plotting the upper and lower confidence intervals of each coefficient at all the scales, we can test the presence of pure contagion. If there are significant changes in the *ex-ante* and *ex-post* periods, we will notice downwards or upwards shifts in the graph. Moreover, if the random intervals that form 100*(1-2p)% confidence interval, from the robust estimator MODWT are non-overlapping we assume pure contagion. This involves plotting the wavelet coefficients for the ex-ante and the expost periods as $\tilde{\rho}_{xy}^I(\lambda_j)$ and $\tilde{\rho}_{xy}^{II}(\lambda_j)$, and testing the null hyphothesis of no market contagion as in Gallegati (2012) and in formula (4):

$$H_0: \tilde{\rho}_{xy}^I(\lambda_j) = \tilde{\rho}_{xy}^{II}(\lambda_j) \tag{4}$$

If any point of the wavelet scale graph are non-overlapping the null hypothesis of no-contagion is rejected and we accept the presence of pure market contagion. Alternatively, if the confidence intervals are overlapping we reject the presence of contagion between two markets.

When calculating the MODTW coefficients we will use the Daubechies compactly supported least asymmetric (LA) wavelet filter (Daubechies 1992) of length L=8, noted by LA (8) for determining the $\tilde{\rho}_{XY}(\lambda_j)$ for each scale of the analysis. We prefer to use this wavelet filter, because previous studies like (Gallegati 2012; Cărăuşu et al., 2018) have indicated that LA (8) filter is most adequate to handle high frequency data such as time series data.

4.2 The Continuous Wavelet Transform

The continuous wavelet transform (CWT), developed by Torrence and Compo (1998) allows us to test for synchronization and delays between two different time series. The CWT $W_n^X(s)$ of an individual time series x_n at a scale s can be determined by transposing a mother wavelet ψ_0 on the time series. If we use the Morlet wavelet, the CWT becomes as in formula (5):

$$W_n^X(s) = \sqrt{\frac{\delta t}{s}} \sum_{n'=1}^{N} x_{n'} \psi_0 \left((n' - n) \frac{\delta t}{s} \right), \quad n' = 1, 2, \dots, N$$
 (5)

4.3 Wavelet coherence

The wavelet coherence analysis can test the degree of interaction between two time series X and Y in both time and frequency. By comparing the cross-wavelet spectrum to the product of the spectrum of each individual series, we can compare the degree of interaction between two variables in both time and frequency domain. Torrence and Webster (1998) and Grinsted et al. (2004) argue that wavelet coherence between two variables $R_n^2(s)$ is calculated as in formula (6):

$$R_n^2(s) = \frac{\left| S(s^{-1}W_n^{XY}(s)) \right|^2}{S(s^{-1}|W_n^X(s)|^2).S(s^{-1}|W_n^Y(s)|^2)}$$
(6)

where: $W_n^X(s)$ and $W_n^Y(s)$ are the wavelet transforms (WTC) of two time series, S(.) is the smoothing operator and s is the wavelet scale.

If we are testing for contagion, we will consider high values of coherence coefficients as proof for higher degrees of interactions between two variables. Moreover, if the high coherency coefficients are in the lower scale we consider them as signs of "pure" contagion, while high values are signs of "fundamental" based contagion.

5. Empirical results

Our analysis focuses on testing the presence of pure contagion between the Romanian capital market and three distinct capital markets from Western Europe: Germany, France and United Kingdom. Thus, we will use the wavelet analysis to test the presence of pure contagion.

The results from figure no. 1 offer a general perspective of the changes occurred in Romanian capital market before and after the Lehman Bother collapse. We first note that the average wavelet correlation coefficients are higher for the ex-post period 16 September 2008 - 19 November 2009 than the respective coefficients for the ex-ante period 19 July 2007 - 14 September 2008. The shift upwards in the graphs of the ex-post periods indicates a higher degree of interdependence between two markets, which almost doubles in the short time-window of 2-4 days corresponding to scale d1. Furthermore, we notice that there aren't any significant differences between the degree of interdependence between the Romanian capital market and Germany, France and United Kingdom respectively. This is a sign of the ongoing European Integration process and similar behavior (herding) among Western European markets.

Figure no. 1. Wavelet Cross-Correlations DE-FR-UK-RO before and after Lehman Brothers Collapse

Source: Own computations by the author on data provided by Datastream

Note: Estimated wavelet correlation of US and RO countries stock market returns for before the Lehman Brothers collapse (blue line) and after the collapse (red line) periods. The dashed lines denote the upper and lower bounds for the 95 percent confidence interval before (blue dashed line) and after (red dashed line) Lehman. The null hypothesis of no contagion is rejected when the confidence intervals are not overlapping.

While we notice on the graphs and obvious shift for the ex-post period, the changes are not significant enough for us to conclude that there was sign of pure contagion, as the doted upper and lower confidence intervals are overlapping at all the scales. This, intriguing results could indicate that there are no signs of contagion, but this could also indicate that there were multiple shocks in our analysis period similar to the results of (Cărăuşu, 2017). We incline to believe that we are witnessing multiple shocks before and after the Lehman Brothers collapse such as the US mortgage bubble or the Eurozone sovereign debt crisis. The Romanian capital market reacted to external shocks long before the Lehman Brothers collapse. However, our results indicate that the Romanian capital market was sensitive to shocks from the Western Europe capital markets, but in the aftermath of the Lehman Brothers collapse, there were no significant changes.

A further investigation of our initial results, we will use the wavelet coherency analysis, which has the advantage of plotting simultaneously both time and frequency domain. Therefore, we can use the wavelet coherence analysis to view multiple contagion periods between two markets, as depicted in the horizontal timeline or the vertical frequency domain. The results from figure no. 2 offer a general perspective on the degree of contagion and comovement between the Romanian capital market and the capital markets from Germany, France and United Kingdom from 19 July 2007 – 19 November 2009.

The wavelet coherency analysis plots the degree of interdependence between two markets from light blue (low coherency values) to yellow (high coherency values) in order to test the interdependence and contagion phenomenon on a scale-by-scale basis. We note multiple periods of "pure" contagion in the lower bands 1-8 days trading before and after the Lehman Brothers collapse between the Romanian capital market and all Western European markets in our analysis. This suggests multiples shocks, before and after the 256 days point, which marks the start of the global financial crisis. We can even note o clear sign of pure contagion right before and after 14 September 2008. Furthermore, we can note signs of fundamental based contagion between the Romanian capital market and Western European markets, as the coherency values are very high for 128-512 trading window period.

Overall, we find evidence of "pure" and "fundamental" contagion from all of the Western European capital markets towards the Romanian capital market in 2007 during the sub-prime crisis, before and after the Lehman Brother collapse in 2008 and during the European Sovereign debt crisis from 2009. On the long run, the Romanian capital market was in sync with both the German, French and United Kingdom capital markets between 2007 and 2009. In addition, we note a higher degree of comovement between the Romanian capital market and the German capital market, and lower level as opposed to the French and the UK market. Furthermore, this would indicated that despite the fact that the external shock was initially started in the US capital market it slowly enveloped all the capital markets in Western Europe and later on emerging markets like Romania.

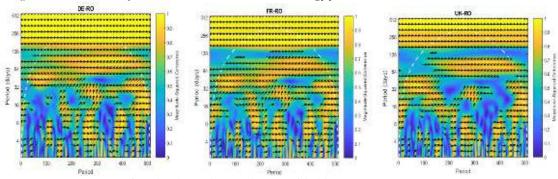


Figure no. 2. Results of the wavelet coherence methodology for US vs. RO

Source: Own computations by the author on data provided by Datastream

While, our initial results from the MODTW analysis provided mixed results, the results from the wavelet coherency analysis indicated both pure and fundamental based contagion periods. We found evidence of pure contagion in the sub-prime crisis, before, after the Lehman Brothers collapse, and during the sovereign debt crisis period. Our results, confirm previous studies like (Syllignakis and Kouretas 2011) who found evidence of pure contagion between the Romanian capital market and German capital market, but also with the results of (Cărăuşu et al., 2018) who found evidence of market contagion between the whole Western European capital markets and the Romanian capital market between 2005-2009.

6. Conclusions

The aim of this paper was to investigate whether the Lehman Brothers collapse from 14 September 2008 was propagated from the Western European capital markets towards the Romanian capital market. We used the wavelet analysis in order to test and measure the degree of contagion and comovement between the Romanian capital and the German, French and UK markets. Our results indicate two distinct phenomenons. Firstly, we find evidence of pure and fundamental contagion not only after the Lehman Brothers collapse but also before in the sub-prime crisis period, and after during the sovereign debt crisis period. This indicates an increase of inter-market linkages and a higher degree of sensitivity on the Romanian capital markets towards developed markets. Secondly, we found that while the external shock was initially started in the US capital market it slowly enveloped all the capital markets in Western Europe and later on emerging markets like Romania. Thus, our results indicate a higher degree of linkages between the Romanian capital market and the developed Western European capital markets, as the initiator didn't matter.

Our second phenomenon emphasizes a general reduction in the efficiency of international portfolios because shock, which originated in the US spread towards both developed and emerging capital markets. Meanwhile, the presence of multiple pure contagion periods emphasize the need for higher vigilance from the Romanian national authorities in order to protect the local capital market from external shocks. Therefore, in the aftermath of the recent financial crisis, when capital markets get more and more interconnected preventing and combating the effects of external shocks on national markets must be a key objective of national authorities. With the help of an adequate monetary policy and changes in the regulatory framework, national and international authorities could increase the degree of protection for their national capital markets

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Implications of the Budget Deficit on the Labour Market in Romania

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Abstract

The budget deficit has now become a common phenomenon in many countries, amid a surge in public spending. In Romania, as well as in other developing or developed countries, this topic is one of the most difficult issues facing economic policy.

Under the current circumstances of economic activity, where financial needs are more advanced than available funds, budgeting at all levels is one of the primary issues, in particular by maintaining the principle of budgetary balance.

Structure and Content of the Article – the article is structured as it follows: introduction, main chapters and the last part which presents the final conclusions concerning the suggested topic (the consequences of budget deficit over the labour market in Romania). The means used to finance the budget deficit, e.g. the increase in fiscality, the decrease in public spending, or the increase of public debt, leave their mark on the evolution of the labour market on both short and long term, as mentioned in the article.

Key words: budget deficit, consolidated budget, labour market, public sector debt.

J.E.L. classification: E60, E62, H60, H61, H62, H68.

1. Introduction

During the making of the article we aimed to accomplish a number of objectives. The first and most important of them all consists in the analysis and understanding of the effects of budget deficit over the labour market in Romania. We tried to answer the questions concerning the real efficiency of a supra-state fiscal policy, the highlight of the limits of this type of policy and the quantification of the instruments and mechanisms through which the fiscal policy creates certain effects in the real economy.

As far as reaching the intended aim is concerned, we have used a methodology which mostly entails descriptive research, critical comparative analysis, synthesis, deduction and foreseeing.

2. Theoretical background

The concept of deficit is used in Romania (Bistriceanu, 2006, p.189) to define the conventional deficit, the primary and the operational deficit, plus the structural and quasi-fiscal deficits following the modern methods of sizing the public financial imbalance.

The conventional deficit is determined (Hoanţă, N., 2000, p.62) by decreasing the actual payments and is the need to finance the public sector. In this method, earnings do not include domestic or foreign borrowing. Expenditure does not take into account public debt repayments for the year, but reflects the interest on government debt.

The primary deficit of the consolidated general budget removes the government debt interest expense from the conventional deficit. In other words, lowering the level of public expenditure, the public revenue reported at the level of one year gives us the size of the primary deficit of the state.

The operating deficit includes the primary deficit and the actual interest paid on the domestic public debt account.

The structural deficit eliminates from the conventional deficit the amounts obtained from privatization, which are valued as sources of financing rather than revenues.

The quasi-fiscal deficit reveals the conventional deficit and quasi-fiscal operations in the form of:

- Interest subsidies on loans granted by the NBR and commercial banks to state-owned companies in the agriculture and energy sectors;
 - Subsidies for the exchange rate benefiting the energy sector;
 - Loans taken by the state under special laws;
 - State-guaranteed loans;
 - Budget arrears of economic agents.

Quasi-fiscal deficits can push the consolidated general government budget by oversolding the deficit, so the government is forced to borrow more from the foreign market. In principle, there is a positive relationship between the quasi-fiscal deficit, the government debt and the operating deficit changing in the same direction if direct investment decreases and exports are reduced in parallel with imports.

Starting from the literature (Bistriceanu, 2006, p.191, Călin, M., 2006, p.129), it is noticed that in our country, in the extremely complex climate in which the economic activity takes place, in the effort of shaping the place that the budget deficit possesses, a special role is given to the identification of the weight of the budget deficit in the expenditure and revenues structure of CGB - Consolidated General Budget.

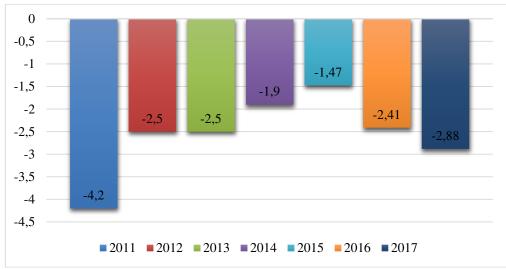
Considering that the consolidated budget is an instrument of the fiscal-budgetary policy, this one, in addition to the correlation between the revenues and expenditures of the state budget, also captures the connections between them, such as the budget deficit, the current account of the balance of payments the balance is deficient and the gap between investment and saving.

Nowadays, the understanding of the budget deficit and the interest for its continuing diminution are of great importance for Romania, especially in the context of our country facing big problems in the evolution of the economy.

Analysis of statistical data related to the Romanian budget deficit

In the following, some statistical data regarding the evolution of the budget deficit, its weight in the Gross Domestic Product as well as the structure of the general consolidated budget during the period 2011-2017 are captured.

The graphs below show the level and evolution of the general consolidated budget as a share of gross domestic product.

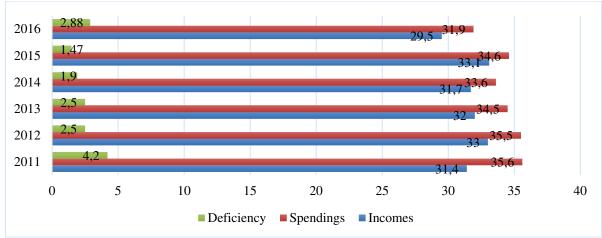


Graph no.1 Evolution of the budget deficit in the period 2011-2017

Source: Ministry of Public Finance, http://www.mfinante.gov.ro

According to the graph above, it can be noticed that the largest deficit is recorded in 2011 of -4.1% of GDP. This was due to the economic crisis that has developed globally. The budget deficit further shows a downward trend reaching -1.47% of GDP in 2015. In recent years, this negative development is caused by the fiscal reforms adopted by the government in 2015 (wage growth, non-taxation of pensions below 2000 lei).

Considering the structure of the BGC over the period 2011-2017, there is an increase in expenditures due to the reduction of revenues.



Graph no. 2 The structure of the General Consolidated Budget

Source: Ministry of Public Finance, http://www.mfinante.gov.ro

From the above graph, it is highlighted that 2011 was the largest gap between revenues and expenditures with a direct impact on the budget deficit of 4.2% of GDP.

It can also be highlighted that in 2012 the revenues increase without a substantial change in spending, this resulted in a deficit reduction of 2.5% of GDP.

In 2013 and 2014, these prospects remain, expenditure is lower than revenue. In 2015, the smallest cash deficit is recorded in the entire analysed period.

In recent years this trend changes, revenues begin to decline at a rate advanced over expenditure at the end of 2017 reaching a budgetary imbalance of -2.88% of GDP. This evolution was driven by the fiscal loosening that began in 2015.

3. The impact of the budget deficit on the labour market

Over time, the literature has circulated more currents of opinion according to which we can study the impact of the budget deficit on the economy. First, are taken into account the short-term effects on short-term consumption and long-term effects on the national economy, investment and job creation.

Secondly, the long-term deficit neutrality hypothesis is hypothetical by financing it on the basis of public debt contracting.

Table no.1 Evolution of the number of employees and unemployed in the period 2011-2017

There were 2 years of the manner of employees and through to year in the period 2011 2017								
Indicator / Year	2011	2012	2013	2014	2015	2016	2017	
Average number of employees	6153	6230	6271	5850	6062	6201	6390	
(thousands of persons)								
Unemployed at the end of the	461	494,7	512,3	478,3	436,2	418,2	351,1	
year (thousands of people)								
Unemployment rate (%)	5.1	5,59	5,65	5,29	4,9	4,77	4,02	

Source: National Institute of Statistics, http://www.insse.ro/cms/

So it appears that the budget deficit is a result of lower volume of economic activity on the one hand, with the impact of reducing the income of individuals and legal entities, which means a reduction in the tax base, so a reduction in revenues. On the other hand, the existence of a large budget deficit implies a decline in government investment, with consequences for jobs as well as budgetary spending on employment.

The methods used to finance the deficit, for example: increasing taxation, reducing public spending, increasing public debt, are impacted on the short and long term labour market.

Thus, considering the implications of short-term budget deficit causes a decline in the national economy, leading to a reduction of supply on the market, implying an increase in interest rates. In this situation, the volume of investment diminishes, consumption decreases, with effects on the capacity of economic activities and jobs.

According to the table it is pointed out that the number of unemployed oscillated during the analysis period from 461 thousand in 2011 to 351 thousand in 2017. In 2017, the highest percentage of employees and the lowest number of unemployed were reached. In 2014, there is an increase in the number of unemployed and a decrease in the number of employees, which shows a decrease in the volume of economic activity, with consequences on budget revenues and budget expenditures.

4. Ways to reduce the budget deficit

The budget deficit leads to an accumulation of public sector debt. If deficits are unsustainable, this can lead to higher bond yields (higher interest payments), and at worst, lead to a loss of confidence in the government. Although this is rare for countries with their own currency (ie not in euro).

The obvious way (Jackson, J., 1997, p.217) to reduce the budget deficit is to increase tax rates and reduce government spending. However, the difficulty is that this fiscal tightening may generate lower economic growth - which in turn can cause a higher cyclical deficit (the government gets less tax revenue in the recession). The best way to reduce tax deficits depends on the situation of a country.

Different policies (Moșteanu, T., 2004, p.78, Ștefură., G., 2007, p.115) to reduce budget deficit:

1. Reducing government spending

The government can reduce its public spending to reduce the fiscal deficit. For example, in the 1990s, Canada significantly reduced its public spending. They have evaluated many departments and have cut spending by up to 20% over four years. This proved to be a successful policy in reducing the budget deficit. During this period of spending cuts, the Canadian economy continued to grow, which also contributed to a reduction in the budget deficit.

In the 1920s, the UK drastically cut spending (known as Geddes Ax), but, combined with the gold standard (fixed exchange rate), it contributed to deflation and lower growth. Therefore, during this period, attempts were relatively unlikely to reduce debt to GDP.

In the Eurozone crisis, many European countries have cut government spending to try to reduce budget deficits. For example, Greece, Ireland and Spain have cut spending. However, these spending cuts have contributed to a decline in economic growth, which has led to lower tax revenues and debt growth. These spending cuts were much less effective in reducing the budget deficit, because these countries can not devalue the euro, is a fixed exchange rate, and cannot pursue a relaxation of monetary policy. As a result, spending cuts were less effective in reducing the deficit, but also caused other economic problems.

Other estimates of government spending cuts (Moșteanu, T., 2008, p.47):

It depends on the type of government expenditures that are intended to be cut off. If pension expenditure is reduced (eg increasing retirement age) then there may be a real increase in production capacity. If public sector investment is reduced, it will have a greater negative impact on aggregate demand and economic supply. Therefore, the temptation is for the government to reduce benefits and pensions, as this can reduce spending with a lower impact on economic growth - but it will be at the expense of increased inequality in society.

2. Increase in taxes

Higher taxes increase the revenue and help reduce the budget deficit. As with spending cuts, they could lead to lower spending and could lead to a decline in economic growth. Again, it depends on when taxes are raised. In a recession, tax increases could lead to a significant decrease in spending. During high growth, tax increases will not affect spending as much. It also depends on the type of tax to be increased.

3. Economic growth

One of the best ways to reduce the budget deficit as a percentage of GDP is to promote economic growth. If the economy grows, then the government will increase tax revenues without raising taxes. With economic growth, people pay more VAT, companies pay more corporation tax, and workers pay more income tax.

High economic growth is the least painful way to reduce the budget deficit, as there is no need to increase tax rates or reduce spending. However, many countries with a fiscal deficit crisis are often stuck in recession.

4. Rescue Plan

Under certain circumstances, countries may be eligible for rescue from an international organization such as the IMF. This means that they can benefit from temporary funds to finance a temporary lack of liquidity. The bailout can reassure investors and give the country more time to deal with the deficit. For example, in the 1970s, Britain sought rescue funds from the IMF. A rescue plan usually comes with strict guidelines on deficit reduction - this can be politically easier when imposed from outside. However, in the case of heavily indebted countries, a rescue plan may be insufficient to deal with the underlying indebtedness level. Also, the rescue conditions can be extremely controversial.

5. Default mode

Sometimes countries are at a stage where they cannot manage their budget deficit. It can be said that Greece is very close. The government has attempted cuts in spending and tax increases, but the budget deficit continues to be high. Also, fiscal consolidation has caused an economic depression.

5. Conclusions

Deduction played a crucial role at the end of the article, especially in order to formulate conclusions concerning the future evolution of the Romanian economy and the influence of budget deficit over the market, based on the previously built framework and on the former recorded experiences of other states.

The budget deficit is the result of diminishing public (Chirleşan, D., 2008, p.137) revenues and/ or increasing public spending. A reduction in public revenue may be caused by a decline in the market economy or even the inability of tax authorities to collect income from individuals and businesses.

As regards the Romanian economy, the major expenditure growth was highlighted.

Social assistance spending has recently accelerated as a social effect from the aging of the population.

As far as the implications for the labour market are concerned, a budget deficit causes a decline in government investment that affects employment and therefore involves higher government spending to support employment.

In Romania, in the context of the financial crisis, the number of unemployed has risen, with the post-crisis situation decreasing this number by predicting for the years 2019-2020 a continuation of the diminishing of this negative effect caused by the budget deficit and not only.

Methods of diminishing the budget deficit vary from tax to economic growth and loans. However, regardless of the method used, account must be taken of the context in which the economy is located so that the effects are the ones expected.

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Ghost Companies, Fiction or Reality?

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Abstract

In Romania the so called "ghost companies" are more ofthen accused of tax evasion. Some of the "ghost companies" do exist but others don't really exist. The existing "ghost companies" and their shareholders are nowhere to be found and don't have employees. Companies that buy from "ghost companies" are accused that they do "fictitious operations" and account "fictitious expenses". Fictitious operations don't correspond to factual or legal reality and refer to imaginary operations, which in fact don't exist. Fictitious expenses aren't based on real operations and aren't based on totally or partially valid documents. "Ghost companies" are discovered applying the Law 656/2002 on money laundering, when reporting transactions higher than 15,000 EURO. Romanian and EU authorities find "ghost companies" when discovering differences between invoices accounted by suppliers and invoices accounted by buyers. Authorities should hold responsible only those who willingly are involved in tax evasion together with the "ghost companies".

Key words: ghost company, fictitious operation, fictitious expenses, tax evasion **J.E.L. classification:** H25, H26, K40

1. Introduction

The researching of tax evasion cases in Romania shows that the concept of "ghost company" is more often used by Romanian authorities and appears on media. "Ghost companies" are accused of tax evasion together with the companies they do business with.

There are companies that purchase goods and services from other companies called "ghost companies" by authorities. Some of these companies are honest but others do business with "ghost companies" to pay less taxes or not to pay taxes at all. When knowingly buying from the so called "ghost companies" in order not to pay taxes is the most common form of tax evasion, that is through fictitious operations (Constantin, 2016, p.26).

Companies who buy from "ghost companies" are accused of tax evasion because authorities say they did "fictitious operations" and accounted "fictitious expenses" thus deducting VAT and expenses ilegally. More often authorities try to recover prejudices from those who purchase from "ghost companies" without proving that they were involved in tax evasion.

The research directions that will follow will be about "ghost companies", "fictitious operations" and "fictitious expenses". These concepts are to be analyzed considering considering the Law 241/2005 on the prevention and fighting of tax evasion.

This work is to reveal the "ghost company" penomenon, but also meanings for "fictitious operations" and "fictitious expenses". Ways of investigating and discovering "ghost companies" were researched also.

The results were obtained by researching several tax evasion cases investigated by Tax Authorities, police and prosecutors and came before a court of law. The main acusations of the studied cases were based on the fact that the accused companies were doing business with "ghost companies". Press articles on "ghost company" tax evasion were studied also.

2. Theoretical background. The "ghost company" phenomenon

As shown before, some of so called "ghost companies" do exist and are registered with the Trade Register but others do not really exist and are not registered with any authority.

The non-existing "ghost companies" are not registered with any Romanian Authority. These companies use forged documents, don't pay any tax and don't account anything. These "ghost companies" names are very close to existing ones who work legally and have legit businesses (Constantin, 2016, p.26).

The most common "ghost companies" are the existing ones. These companies apparently work legally, meaning that their shareholders are real persons and they really take part in the company's foundation and registration with the Romanian authorities. They rent spaces for the official headquarter, they have bank accounts, issue invoices and have authorizations (Florescu *et al*, 2013, p.120). At first, some of these "ghost companies" work legally but in time they accumulate debts to the state budget.

These companies work in the underground economy. The high level of illegal economy is the result of the pure existence of this kind of companies (Florescu *et al*, 2013, p.119).

After a research of the Romanian legislation it was determined that a definition of the "ghost company" does not exist in any law, the term is not used by any law. However, the concept of "ghost company" is used by the Tax Authorities, police and prosecutors when investigating suspicious cases of tax evasion. The lack of any legislation regarding "ghost companies" and the lack of cooperation between state authorities have made these companies flourish. Romanian authorities accuse companies and people of tax evasion by using "ghost company" even though the term is not defined by any law. If we search for the term "ghost company" on the internet we find that press releases of the authorities in which the term is used are taken over by the press.

According to the Fiscal Antifraud Directorate Genaral these "ghost companies" are not to be found at their official headquarter or anywhere else; don't have any secondary headquarter; don't have any employee to coordinate and carry out the business. The administrators and shareholders of the companies don't have any declared revenues. As the "ghost companies" cannot be found at their official headquarter or anywhere else, they cannot be inspected by the authorities.

"Ghost companies" are used both for dodging taxes and for cheating business partners. At first these companies build a business relationship with their partners and win their trust. In time they accumulate big debts and cheat on their honest partners (Constantin, 2016, p.27).

Some shareholders of the "ghost companies" are not to be found, they are not the real shareholders, they are only intermediaries. Other shareholders are real but after the companies accumulate debts to the state budget, they sell them to people who cannot be found by the authorities.

So called "ghost companies" are used by other companies and their administrators to dissimulate, to hide some transactions and to misrepresentation taxes. "Ghost companies" provide fictitious origin for smuggling goods, clandestine produced goods or goods that actually don't exist. They assume the role of beneficiaries of goods that are consumed on other markets or are sold on black markets. They provide fictitious goods and services for real customers for which they receive a fee. Thus "ghost companies" are used by tax dodgers to ilegally deduct VAT and expense and not to pay VAT and profit tax. After they "buy" from the "ghost companies", they dodge profit tax and VAT and they withdraw "black money".

Based on the cases_encountered it was determined that companies and their administrators who buy from "ghost companies" are very often accused of tax evasion through fictitious operations according to Article 9 (1) letter c) of the Law 241/2005 on the prevention and fighting of tax evasion. These accusations are based only on the fact that the accused companies and persons have purchased goods and/or services from "ghost companies". It must be said again that some of the companies and their administrator are very honest and have no idea that the so called "ghost companies" commit fraud.

3. Fictitious operations and fictitious expenses

According with Article 9 (1) letter c) Law 241/2005 on the prevention and fighting of tax evasion, it is an offense "the recording, in accounting documents or other legal documents, expenses that are not based on real operations or recording of other fictitious operations".

According with Article 2 letter f) Law 241/2005 on the prevention and fighting of tax evasion, the fictitious operations are "the dissimulation of reality by creating the appearance of an operation that does not actually exist". The accounting of acquisition documents that are not real, or the accounting of any fictitious operations, their essential purpose being to manipulate the accounting and fiscal information, therefore, to distort reality in order to avoid taxation or to obtain illegal fiscal advantages (Constantin, 2016, p.27).

Charges of tax evasion that have been made and are still made, are based on the fact that the accused have made fictitious acquisitions and/or fictitious expenses. Because of this, the accused companies and their administrators appealed to the Constitutional Court of Romania (CCR) the fact that the fictitious operations and fictitious expenses were not defined properly by the Law 241/2005 and the article should be unconstitutional. The Court considered that it was necessary to provide more explanation for fictitious operations and fictitious expenses.

The fictitious acquisitions and fictitious expenses are not defined in any dedicated research. The scientific literature in the field of accounting or taxation does not define the two terms.

The Constitutional Court ruled, at point 25 of the decision no. 673/2016, that (...) "recording unrealistic (fictitious) operations or expenses in official accounting or financial-fiscal documents is the activity in which records are made in these documents which are not based on totally or partially valid supporting documents."

The Court also ruled, at point 35 of the same decision, that (...) "in the case of the offense provided by Law 241/2005 Article 9 (1), letter c), its material element is to record in the accounting documents or other legal documents the expenses that are not based on real operations or the recording of other fictitious operations. In this context, the Court considers that the phrase "not based on real operations" refers to those operations that do not correspond to factual or legal reality, and "fictitious operations" refer to those imaginary operations, which in fact do not exist."

The so called "ghost companies" are being set up and operating, although there are the sanctions provided by the law on "fictitious operations", the constitutional court has clarified the "fictitious operations" and the authorities are making considerable efforts to fight them.

4. Ways of discovering "ghost companies"

"Ghost companies" work in the illicit economy, where cash predominates. With the entry into force of the Law 656/2002 on the prevention and sanctioning of money laundering, part of the cash transactions of ghost companies, higher than 15,000 EURO (or the equivalent in lei), have been discovered. Any transaction higher than 15,000 EURO (or the equivalent in lei) is considered suspect transaction and must be reported to THE NATIONAL OFFICE FOR PREVENTION AND CONTROL OF MONEY LAUNDERING (THE OFFICE).

According to the law, all companies have the obligation to report to THE OFFICE cash transactions higher than 15,000 EURO (or the equivalent in lei). Banks have also the obligation to report to THE OFFICE transactions exceeding EUR 15,000 (or the equivalent in lei), cashing or payments, cash deposits or withdrawals. THE OFFICE must investigate and report to Tax Authorities, police or prosecutors if any illegal transaction is discovered.

In this way, the mystery of the banking secrecy being lifted, the illegal business of these "ghost companies" began to appear on the surface.

Another way to discover "ghost companies" is through differences on "394 Statements". In accordance with Article 59 (2) of Law no. 207/2015 on the Tax Procedure Code, companies must periodically provide tax authorities with information about their business. According with the Order no. 3769/2015 and Order no. 2328/2016, "394 Statement" is the "Information Statement on deliveries/services provided and acquisitions within the national territory". All companies that are VAT registered must fill in the "394 Statement" and submit it to the Tax Authorities.

The role of this informative statement is for the authorities to make a direct correspondence at national level between invoices issued and accounted by suppliers and the same invoices received and accounted by buyers. The scope of "394 Statement" is to prevent and fight tax evasion. The differences discovered by the authorities are firstly notified directly to the companies for rectification, and if the differences are maintained, a tax investigation is carried out. If there is a difference between what the supplier registered and what the buyer registered, investigations are initiated to determine the causes. Most of the time, "ghost companies" do not record anything in the 394 statement and so are discovered.

According to the European Commission, VAT registered companies making the intra-Community supplies must report the total supplies (of good and/or services) to each company (that also is VAT registered) in another Member State on a VIES recapitulative statement which is submitted to the tax authorities of the company making the supply. The VAT Information Exchange System (VIES) is an electronic mean of validating VAT numbers of companies in the EU Member States for cross border transactions on goods or services.

In Romania the VIES recapitulative statement is governed by Article 325 of the Tax Code. According with the Order no. 591/2016 and Order no. 592/2017, "VIES Statement" is the "390 Recapitulative statement on intra-Community supplies / acquisitions / provided services".

The role of this recapitulative statement is for the EU authorities to make a direct correspondence at EU level between invoices issued and accounted by suppliers and the same invoices received and accounted by buyers. The scope of "VIES Statement" is to prevent and fight tax evasion. The differences discovered by the EU authorities, tax investigations are carried out. If there is a difference between what the supplier registered and what the buyer registered, investigations are initiated to determine the causes. Most of the time, "ghost companies" in Romania do not record anything in the VIES statement and so are discovered.

As seen authorities have ways and means to investigating and discovering "ghost companies". All they need is will and cooperation.

5. Conclusions

Because of "ghost companies", vast amounts of money go untaxed and to the underground economy, so the state doesn't get the financial resources to fulfil its obligations.

When authorities discover that a company does not declare and pay its taxes, that a company is involved in a tax evasion case and is considered to be a "ghost company", then they must recover the tax debt from that "ghost company". Authorities cannot hold any company responsible because it's business partner is considered to be a "ghost company" is involved in tax evasion. Any tax damage must be recovered from those proven to be guilty of tax evasion and not from those they did business with.

The applicability of the research is in the accounting and fiscal practice for better understanding the concepts of "ghost companies", "fictitious operations", "fictitious expenses". This work could be used both by honest companies to protect themselves from the abuses of the authorities and from "ghost companies", and by the Romanian authorities for better understanding of the "ghost companies" and to protect the honest ones. Authorities may take measures for informing honest companies about the so called "ghost companies" and for eradicating them. Authorities may learn about investigating and discovering "ghost companies". A better cooperation between authorities is needed.

Nobody can be accused of tax evasion based on the concept of "ghost company", the concept that don't exist in any law, so the authorities must make changes in the law to define the concept or stop using it.

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Redistributing Income through VAT

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Abstract

This article analyzes from a theoretical point of view the incidence of the value added tax on the current expenditure and income of the households when applying reduced rates and exceptions from this tax for some prevalent goods from the consumption of households with small income. The replacement of the standard VAT rate with reduced rates and exemptions for such goods reduces the regressive character of this tax related to the current income (and increases the progressivity degree of the tax in relation to the current expenditures of households), when the size and the structure of consumption remains unchanged.

Key words: tax, regressive, income, expenditure

J.E.L. classification: H2, H3.

1. Introduction

For the case of a uniform value added tax rate for all goods and services subject to household consumption, the value added tax (VAT) is a proportional tax in relation to current household consumption expenditures. As current income increases, so does the savings rate while the consumption rate (the share of consumption in income) decreases. Under these circumstances, the share of the tax within income decreases at an increase of the income, VAT being regressive in relation to the current income of households. Thus, value added tax affects more strongly the households with low incomes, which devote a large amount of their current income to consumption expenditures, thus paying a larger proportion of their income as VAT revenue than households with high income.

The modification of the single VAT rate, provided that the amount of consumption remains the same, does not determine a change in the regressive character of the tax related to the income; moreover, the tax remains proportional to consumption. Instead, by introducing reduced rates or exemptions for predominant goods in the consumption of the low-income population, VAT's regressiveness in relation to current income is reduced, the tax becoming progressive in relation to consumption expenditure.

2. Literature Review

Some scientific papers have analyzed the incidence of the consumption taxes on the income of the population: OECD (2014, for 20 member countries), Decoster et. al. (2010, for 5 European states), Ruiz and Trannoy (2008, in France), Warren (2008, in OECD countries), O'Donoghue et al. (2004, for 12 European states), Kaplanoglou (2015, for Greece).

Particularizing, other studies have analyzed the redistributive effects of the VAT rates structure: Institute for Fiscal Studies (2011, for 9 European states), Leahy et al. (2011, in Ireland), Cuceu (2016, for Romania), Schmutz and Schaltegger (2018, for Switzerland), CPB Netherlands Bureau

for Economic Policy Analysis (2013, for 27 EU member countries), Braz and da Cunha (2009, for Portugal).

Cuceu (2016) shows that in Romania, the VAT is very regressive compared to the current incomes of households, while the percentage of money expenditures in money income decreases significantly when income is increased. The results of simulations performed for Romania are similar to the results obtained in other studies, especially with the study made by OECD in 2014 on a sample of 20 countries.

Schmutz and Schaltegger (2018), using Swiss data, show that a different VAT structure cannot make the VAT progressive regarding income (low distributional effects).

The results of the great majority of these studies show that VAT is regressive related to the current income, but this is proportional or slightly progressive in relation to the current expenditures.

The value added tax, being regressive in relation to the current income of households, is considered a socially unfair (antisocial, anti-distributive) tax (Cuceu, 2008).

3. The Reduced Rates and Exemptions - Instruments for the Redistribution of Income

In order to reduce VAT regressivity in relation to income, there exists the possibility of applying reduced VAT rates and exemptions for certain predominant goods within the consumption of low-income population. The introduction of reduced rates and exemptions for such goods makes the tax progressive in relation to consumption expenditures.

Two situations are put under discussion in what follows: the first scenario uses a standard VAT rate and a reduced rate for some predominant goods in the consumption of low-income households, and the second scenario uses a standard VAT rate and some exemptions for goods that predominate in the consumption of low income households.

We further group households within two categories: poor households and rich households, and we use the following notations:

 V_1 = the income of poor households;

 V_2 = the income of rich households; $V_2 > V_1$;

 $V = V_1 + V_2 = \text{total income};$

 C_1 = consumption expenditures of poor households;

 C_2 = consumption expenditures of rich households;

 $C = C_1 + C_2 = \text{total consumption};$

 T_1 = the taxes paid by poor households;

 T_2 = the taxes paid by rich households;

 $T = T_1 + T_2 = \text{total taxes.}$

Scenario 1 – The standard VAT rate (t) and a reduced rate (r) applicable to some goods and services that prevail within the consumption of low income households.

The consumption of the population is expressed as follows:

$$\begin{split} C_1 &= C_{1t} + C_{1r}; \\ C_2 &= C_{2t} + C_{2r}; \\ C &= C_t + C_r; \\ C_t &= C_{1t} + C_{2t}; \\ C_r &= C_{1r} + C_{2r}; \\ \frac{C_{1r}}{C_1} &> \frac{C_{2r}}{C_2} \Leftrightarrow \frac{C_{1t}}{C_1} < \frac{C_{2t}}{C_2}, \end{split}$$

where:

 C_{1t} = the consumption of poor households taxed at the standard rate;

 C_{1r} = the consumption of poor households taxed at the reduced rate;

 C_{2t} = the consumption of rich households taxed at the standard rate;

 C_{2r} = the consumption of rich households taxed at the reduced rate;

 C_t = the total consumption taxed at the standard rate;

 C_r = the total consumption taxed at the reduced rate.

The value added tax may be determined as follows:

$$T_1 = C_{1t} \times t + C_{1r} \times r;$$

$$T_2 = C_{2t} \times t + C_{2r} \times r;$$

$$T = C_t \times t + C_r \times r.$$

Under these circumstances, it's mathematically proven that: $\frac{T_1}{C_1} < \frac{T_2}{C_2}$, which means that the

value added tax is progressive relative to the consumption expenditures. In this case: $\frac{T_1}{T} < \frac{C_1}{C} \Leftrightarrow$

$$\frac{T_2}{T} > \frac{C_2}{C}.$$

If we refer to household income, the value added tax may find itself in one of the following hypothetical situations: regressive, proportional or even progressive in relation to income.

In this case, VAT regressivity with respect to the income can be reduced (the progressivity of the tax related to expenditures is increased) by increasing the standard tax rate, by reducing the reduced rate and/or by replacing the reduced rate with exemptions.

Scenario 2 – The standard rate (*t*) and exemptions for some goods and services that prevail in the consumption of low income households.

The consumption of the population could be expressed as follows:

$$C_{1} = C_{1t} + C_{1s};$$

$$C_{2} = C_{2t} + C_{2s};$$

$$C = C_{t} + C_{s};$$

$$C_{t} = C_{1t} + C_{2t};$$

$$C_{s} = C_{1s} + C_{2s};$$

$$\frac{C_{1s}}{C_{1}} > \frac{C_{2s}}{C_{2}} \Leftrightarrow \frac{C_{1t}}{C_{1}} < \frac{C_{2t}}{C_{2}},$$

where:

 C_{1t} = the consumption of poor households taxed at the standard rate;

 C_{1s} = the consumption of poor households exempt from taxes;

 C_{2t} = the consumption of rich households taxed at the standard rate;

 C_{2s} = the consumption of rich households exempt from taxes;

 C_t = the total consumption taxed at the standard rate;

 C_s = the total consumption exempt from VAT.

The value added tax paid by households is:

$$T_1 = C_{1t} \times t;$$

$$T_2 = C_{2t} \times t;$$

$$T = C_t \times t.$$

Under the previously considered hypotheses, the value added tax is progressive in relation to

the consumption expenditures:
$$\frac{T_1}{C_1} < \frac{T_2}{C_2}$$
. Furthermore: $\frac{T_1}{T} < \frac{C_1}{C} \Leftrightarrow \frac{T_2}{T} > \frac{C_2}{C}$.

Regarding the incidence of the tax upon the income, there exist three hypothetical situations: a regressive, a proportional or even a progressive tax in relation to income.

The modification of the single VAT rate does not determine a change in the regressive character of the tax with respect to income or of its progressivity related to consumption, as long as the size of consumption remains the same.

Table no. 1 The effects of modifying VAT rates upon the regressive character of the tax related to current

income (when the size and the structure of consumption don't modify)

Initial situation	Modifications	Effects over Tax Regressivity
Standard rate	The introduction of reduced rates and/or exemptions (instead of the standard rate) for some goods and services that prevail within the consumption of low income households	Decline
Standard rate	Increase of the standard rate	Decline
+	Decrease of the standard rate	Increase
reduced rates for goods and services that prevail within the	Increase of the reduced rates	Increase
consumption of low income	Decrease of the reduced rates	Decline
households	The replacement of reduced rates with the standard rate	Increase
	The replacement of reduced rates with tax exemptions	Decline
	The introduction of reduced rates and/or exemptions (instead of the standard rate) for some supplementary goods and services that prevail within the consumption of low income households	Decline
Standard rate	The change of the standard rate	No effect
tax exemptions for goods and	The replacement of exemptions with the standard rate	Increase
services that prevail within the consumption of low income	The replacement of exemptions with a reduced rate	Increase
households	The introduction of reduced rates and/or exemptions (instead of the standard rate) for some supplementary goods and services that prevail within the consumption of low income households	Decline

Source: Authors' processings.

By introducing reduced rates or exemptions (instead of the standard rate) for some predominant goods and services within the consumption of low income households, the fiscal pressure (the weight of the taxes within the income) for all households is reduced, but the reduction of fiscal pressure in relative terms is more important for low-income households (if the size and structure of consumption doesn't change). Thus, VAT is less regressive with respect to the income than for the

case of applying the standard tax rate to the entire consumption (the ratios $\frac{T_1/V_1}{T_2/V_2}$ and $\frac{T_1}{T}$ become smaller).

The introduction of reduced VAT rates and exemptions (instead of the standard tax rate) for goods and services that prevail within the consumption of low-income population determines a significant decrease of tax regressivity in relation to the income, if the structure of consumption differs significantly among varying income households.

4. Conclusions

A single VAT rate applicable to the entire consumption leads towards a proportionality of the tax in relation to current expenditures and towards its regressivity in relation to current household incomes. The replacing of the standard VAT rate with reduced rates or exemptions for some predominant goods in the consumption of low-income households leads towards a progressivity of the tax related to consumption expenditures and it reduces the regressivity of VAT in relation to the current household income (if the size and the structure of consumption doesn't change). The same effect is achieved if the reduced rate is replaced by tax exemptions for goods and services that prevail within the consumption of low-income people.

The usage of diminished VAT rates and exemptions may ensure an efficient redistribution of the society incomes only if the structure of consumption differs significantly on income ranges.

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Mandatory Home Insurance In The Romanian "Centru" Region of Development

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Abstract

The paper analyzes the evolution of the mandatory home insurance market on the Romanian "Centru" region of development at aggregate level and on the counties level, both for rural and urban areas. The analysis discovers similarities and differences in the behavior of the persons from the area of study and bring new evidences for the factors that affect the mandatory home insurance market.

Key words: mandatory home insurance, Centre region

J.E.L. classification: G22

1. Introduction

Instituted by the law 260/2008, the mandatory insurance for disasters (PAD) entered into force effectively in July 2010, after issuing the first policy, but because of the changes of the law, we could say that this type of policy became effectively mandatory just in 2013. The regulation of this policy suffered a number of changes (Dănuleţiu and Dănuleţiu, 2016, p. 86-88), that affected the evolution of the policy during time.

As long as the necessity of the mandatory home insurance is evident (Orheian, 2013, p. 177-180), we try to analyse, based on the public data available on the website of the Insurance Pool Against Disasters (PAID), the evolution of the mandatory home insurance policy in the "Centru" Development Region at the county level and also distinctive for urban and rural areas in order to highlight the similarities and differences between the units of analysis.

2. Theoretical background

Different quantitative aspects regarding mandatory home insurance in Romania were made (Dănulețiu and Dănulețiu, 2016, p. 88-92; Ianc and Lapadusi, 2014, p. 181-184), and some remarks about the factors affecting the population behavior regarding mandatory home insurance in Romania, or Transylvania could be found (Ciumaş and Coca, 2015, p. 69-78; Hochrainer-Stigler et. al., 2016, p. 259; Gavriletea, 2017, p. 770-775).

More recent data about the perception and the preferences of the Romanian consumers on the mandatory and/or facultative home insurances come from a study made for the Romanian Insurers' National Union by the Romanian Institute for Assessment and Strategy (Romanian Institute for Assessment and Strategy, 2018). According to this, about four of five persons know about the mandatory character of the home insurance for natural disasters, but only about one of five persons has a home insurance for natural disasters. According to the same study, about 2 third of the persons consider that a better information could determine them to have a mandatory home insurance for natural disasters, and about 70% of the people surveyed consider that it is the duty of local and central public authorities to inform the citizens about the binding character of such insurance.

Considering the neccesity of information of population regarding mandatory and facultative home insurance, the Association for Promoting Insurance, in partnership with some professional organizations in insurance area and some insurers, develop since 2013 a campaign titled "October – month of the home insurance". Reached at the VI-th edition, the campaign highlighted that in the first half of 2018 the number of the natural disasters covered by this kind of policy registered a rise. As regards the floods, the interventions for floods in the first half of 2018 (2208 interventions) are higher than in the entire 2017 (1768 interventions) and just in the first 6 months of 2018 were affected by floods 795 homes in the entire country. Landslices are one of the most important natural disaster and, according to the same source of data, in the first half of 2018 were affected by this 82 homes, comparing with 3 homes in the entire 2017. On the other hand, Romania is one of the european countries most exposed to earthquakes, just in the first half of 2018 being registered 146 such events, generally minor ones. But the effects of a major earthquake could be very serious, as was the situation in 1977 when about 32.900 homes suffered importand damages (MediaXPrimm, 2018).

3. Methodology

The analysis developed in the paper use the following indicators:

- ✓ the number of insurance contracts (No. of contr), as an indicator for the dimension of the analyzed market;
- ✓ the relative change of these (%∆ Ncontr), to highlight the dynamics of the market; The formula for the relative change is %∆ Ncontr = $\frac{Ncontr(i)-Ncontr(i-1)}{Ncontr(i-1)}$ x 100
- ✓ the rate of homes covered by mandatory insurance (C_degr), calculated as a rate between the number of contracts and the number of homes in the unit.

4. Findings

Data about the number of PAD contracts and the dynamics of them during 2013-2017 in the counties of the "Centru" Development Region are reflected in table no.1.

Table no.1 Number of the PAD contracts and the dynamic of PAD contracts for the counties from Romanian "Centru" Development Region

County	Indicator Year	2013	2014	2015	2016	2017
	No. of contr.	7304	16412	18880	23475	22738
	%Δ Ncontr	-	124,70	15,04	24,34	-3,14
Alba	- No. of contr.urban	4525	11291	13240	16606	16066
	%Δ Ncontr_u	-	149,52	17,26	25,42	-3,25
	- No. of contr.rural	2779	5121	5640	6869	6672
	%Δ Ncontr_r	-	84,27	10,13	21,79	-2,87
	No. of contr.	11721	29754	35757	45895	44335
	%Δ Ncontr	-	153,85	20,18	28,35	-3,40
Mureș	- No. of contr.urban	7693	19423	23286	30795	29674
	%Δ Ncontr_u	-	152,48	19,89	32,25	-3,64
	- No. of contr.rural	4028	10331	12471	15100	14661
	%Δ Ncontr_r	-	156,48	20,71	21,08	-2,91
	No. of contr.	14450	33324	37391	41444	41967
Sibiu	%Δ Ncontr	-	130,62	12,20	10,84	1,26
	- No. of contr.urban	11240	25995	29686	33139	33539
	%Δ Ncontr_u	_	131,27	14,20	11,63	1,21

	- No. of contr.rural	3210	7329	7705	8305	8428
	%Δ Ncontr_r	-	128,32	5,13	7,79	1,48
	No. of contr.	23229	58510	60167	64983	72523
	%Δ Ncontr	-	151,88	2,83	8,00	11,60
Brașov	- No. of contr.urban	18755	48678	50203	55015	62399
,	%Δ Ncontr_u	-	159,55	3,13	9,59	13,42
	- No. of contr.rural	4474	9832	9964	9968	10124
	%Δ Ncontr_r	-	119,76	1,34	0,04	1,57
	No. of contr.	6074	15751	17026	18618	18819
	%Δ Ncontr	-	159,32	8,09	9,35	1,08
Covasna	- No. of contr.urban	4074	10499	11460	12549	12769
	%Δ Ncontr_u	-	157,71	9,15	9,50	1,75
	- No. of contr.rural	2000	5252	5566	6069	6050
	%Δ Ncontr_r	-	162,6	5,98	9,04	-0,31
	No. of contr.	5227	14119	15804	18473	17714
	%Δ Ncontr	-	170,12	11,93	16,89	-4,11
Harghita	- No. of contr.urban	3120	8366	9240	10595	10401
	%∆ Ncontr_u	-	168,14	10,45	14,66	-1,83
	- No. of contr.rural	2107	5753	6564	7878	7313
	%Δ Ncontr_r	-	173,04	14,10	20,02	-7,17
	No. of contr.	68005	167870	185025	212888	218096
	%Δ Ncontr	-	146,85	10,22	15,06	2,45
"Centru"	- No. of contr.urban	49407	124252	137115	158699	164848
region	%Δ Ncontr_u	-	151,49	10,35	15,74	3,87
	- No. of contr.rural	18598	43618	47910	54189	53248
	%Δ Ncontr_r	-	134,53	9,84	13,11	-1,74
	No. of contr.	736318	1491329	1590954	1703047	1693006
	%Δ Ncontr	-	102,54	6,68	7,05	-0,59
Country	- No. of contr.urban	518368	1119988	1183670	1278988	1279913
•	%Δ Ncontr_u	-	116,06	5,69	8,05	0,07
	- No. of contr.rural	217950	371341	407284	424059	413093
	%Δ Ncontr r	-	70,38	9,68	4,12	-2,59

Source: authors' processing after data collected from PAID statistics, online https://www.paidromania.ro/en/monthlystatistics (insurance data), acceded on 12th of october 2018

Analyzing the evolution of the number of PAD contracts during 2013-2017, we could observe that generally the same trends are for these at the country level and on the Centre Region or counties from this region. It have to be observed that the number of PAD contracts registered a significant rise in 2014 comparing with 2013 (more than double), the most important explanation of such evolution being, in our opinion, change of the law made in 2013 that forced the insurers to include in the facultative homes insurance a deductible of 20000 euro or 10000 euro(for A or, respectively, B type of homes) and redirected the consumers to buy mandatory homes insurance to be covered for the effects of the natural disasters. By changing of law, the home damage from natural disasters lesser than 20000 euros, or 10000 euros - according the case, were covered just through PAD policy. In the next period, the evolution was slightly ascendant, with a more

important increase in the 2016, that is also generated in our opinion by the change of the law, that required the insurers not to sell facultative policies for homes when for the home there is not a mandatory policy in force.

Analysing the dynamics of the number of contracts on the Centre Region county level, as agrregate or separately for urban and rural areas, we could see some differences between the counties. Regarding 2014, when the number of the contracts for mandatory insurance policy for natural disasters increased with 146.85% comparing 2013 at the region level or 102,54% at the country level, at the county level the situation is more diverse, the increase registered being between 124,70% in Alba county and 170,12% in Harghita county, the rest of the counties being situated between 150%-160%, with the exemption of Sibiu county, where the increase is just 130,62%. For the years 2015 and 2016, the dynamics follow the same trend, but the differences between counties tend to remain significant (between 2,83% in 2015 or 8,00% in 2016 in Brasov county and 20,18% in 2015 or 28.35% in 2016 in Mureş county). As a pattern, the dynamics in 2016 was higher than in 2015, and the explanation is also, in our opinion, the changes that affected the law that imposed insurers the possibility to sell facultative policies for homes just when the homes are insured through a mandatory policy. Situation in 2017 tend to be more diverse, as long as 3 counties (Alba, Mures, Harghita) registered less PAD contracts than in the previous year and the other 3 counties (Brasov, Covasna, Sibiu) registered more PAD contracts then in 2016. It worth to be noted than in 2017 the extreme counties from 2015 and 2016 are in different situation: Brasov county, that registered the smaller rate of increase of the number of PAD contracts in 2015 and 2016, continues its ascendant tendency and become the county with the most important rate of increase of the number of contracts, as long as Mures county, from the highest rate of increase in 2015 and 2016, registered a negative evolution of the number of contracts.

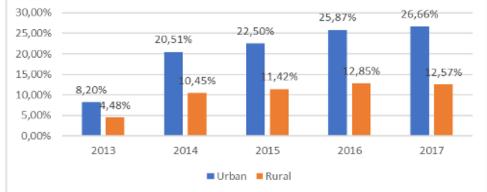
Analzying the dynamics of the number of contracts separately for rural and urban areas, at the regional level, it could be observed that the dynamics of the number of contracts is relatively the same in 2015 and 2016, but there are significant differences in 2014 and 2017 (the year when the dynamics was positive for urban areas, but negative for rural ones). At the county level, the differences between rural and urban areas are, for some counties and years, even more diverse. Generally, the dynamics is more accentuated in urban areas, the exception beig for 2014-2017 period Harghita county, where the dynamics (positive or negative) is higher in the rural area. Also, for 2017 the reduction of the number of contracts (in percentage terms) in Alba and Mureş counties is smaller in rural areas, as for the Harghita county is higher. Also, Covasna county is the only county that register a divergent dynamics of the number of contracts – the rural area registered a negative variation, but the urban one registered a positive variation.

This analysis have to be completed by questioning the evolution of the number of contracts reported to the number of homes (the coverage degree).

At regional level, this indicator evolution is represented in figure no. 1.

As can be seen, the indicator is increasing all the years in the urban area, with a tendency of flattening, and in the rural area the last year registered even a small decrease. The value registered for this indicator is quite different in the urban and in the rural areas, being almost double in 2013-2016 and more than this value in 2017 for the urban area compared with the value for the rural one.

Figure no. 1. The rate of homes covered by mandatory insurance for urban and rural areas in Romanian "Centru" Development Region



Source: authors' processing after data collected from PAID statistics, online https://www.paidromania.ro/en/monthlystatistics (insurance data); and for homes number data from National Institute of Statistics website/Tempo online data, acceded on 12th of october 2018

Evolution of indicator detailed for counties and type of area is highlighted by table no. 2.

Table no. 2 The rate of homes covered by mandatory insurance, detailed on county level from Romanian

Centre development region

	1	2013	2014	2015	2016	2017
Alba	C_degr	4,82%	10,80%	12,39%	15,37%	14,83%
	-urban	5,23%	12,98%	15,16%	18,94%	18,23%
	-rural	4,29%	7,88%	8,67%	10,55%	10,23%
Mureş	C_degr	5,11%	12,95%	15,51%	19,85%	19,10%
	-urban	6,42%	16,16%	19,31%	25,48%	24,45%
	-rural	3,69%	9,42%	11,34%	13,68%	13,24%
Sibiu	C_degr	8,37%	19,14%	21,20%	23,15%	23,07%
	-urban	9,51%	21,90%	24,75%	27,23%	27,12%
	-rural	5,90%	13,23%	13,66%	14,49%	14,46%
Brașov	C_degr	9,69%	24,19%	24,72%	26,50%	29,28%
	-urban	9,51%	21,90%	24,75%	27,23%	27,12%
	-rural	7,28%	15,93%	16,06%	15,98%	16,11%
Covasna	C_degr	6,74%	17,43%	18,81%	20,53%	20,73%
	-urban	9,33%	24,01%	26,16%	28,57%	29,04%
	-rural	4,30%	11,26%	11,92%	12,98%	12,92%
Harghita	C_degr	3,87%	10,43%	11,65%	13,59%	13,01%
	-urban	5,57%	14,90%	16,42%	18,80%	18,42%
	-rural	2,66%	7,26%	8,27%	9,90%	9,18%
Centre	C_degr	6,68%	16,40%	17,98%	20,57%	20,93%
region	-urban	8,20%	20,51%	22,50%	25,87%	26,66%
	-rural	4,48%	10,45%	11,42%	12,85%	12,57%
Country	C_degr	9,24%	11,26%	11,63%	12,50%	12,88%
	-urban	9,53%	11,09%	11,58%	12,41%	12,88%
	-rural	8,53%	11,75%	11,76%	12,78%	12,89%

Source: authors' processing after data collected from PAID statistics, online https://www.paidromania.ro/en/monthlystatistics (insurance data); and for homes number data from National Institute of Statistics website/Tempo online data, acceded on 12th of october 2018

Analyzing this indicator at the county level, it could be noticed that 3 counties (Alba, Mureş, Harghita) are below the regional indicator all the period 2013-2017 and Covasna is slightly below in 2016 and 2017. On the other hand, Sibiu and Braşov coverage degree is higher then the value of the region for all the period. As regards the indicator analyzed for the two areas (urban and rural), the relationships between the regional indicators and counties' indicators remain quite the same, with some very small differences: for the year 2013 the indicator for Covasna (rural) is slightly

smaller than the regional one, and for 2016 and 2017 the indicator for Mureş (rural) is higher than the regional one, despite the fact that the global indicator register oposite relationships.

5. Conclusions

As the tendency in the evolution of the rate of homes covered by mandatory insurance for urban and rural areas in the same county is quite the same, our opinion is that, generally, persons from urban areas and persons from rural areas act in the same way for small areas like counties, but as data show, there are sometimes quite significant differences between counties. This difference between counties could be the effect of the economic factors (like the level of income), but also of the cultural or sociological factors and need be validated through a future study. On the other hand, the causes of the differences between the same county urban and rural values for the rate of homes covered by mandatory insurance, most of them reflected also by Gavriletea (2017, p. 770-775), could be the effect of less information in the rural areas, of the lower level of income in the rural areas, but also of a more difficult acces of population to contracting such policies because there are few representatives of the insurers or brokers in some rural areas and also most of these representatives are not very interested in selling mandatory homes insurances because of the low commission cashed. Also, the passive way of acting of the local public administration that have the right to verify the existence of the PAD policy and to institute penalties for those obeying the law could be a cause for the low level of penetration of the mandatory home insurance.

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Analysis of Creative Accounting – Faithful Image Relationship and Creative Accounting – Fraud Relationship

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Abstract

Due to the extreme sides specific to creative accounting – positive and negative, faithful illustration of reality and fraud with the purpose of misleading and defrauding, moral and immoral, rigid and flexible and due to the fact that between these extreme characteristics there are a series of accounting options which lead more to what good and correct means or in the opposite direction to manipulation and fraud, we intend to highlight all these aspects in order to make clear for the readers what means a faithful image and what it depends on; we also want to help the user of accounting information to understand the reasons behind the manifestation of each mentioned extreme, the benefits and risks of using it.

Key words: creative accounting, fraud, faithful image

J.E.L. classification: M41,M48, H30, H87

1. Introduction

Creative accounting became in the last two decades a topic approached by many specialists in the field, but its treatment is still insufficient.

It is very important to understand where we make the delimitation between manipulation at the limit of legality and fraud both for the accounting experts and for other categories of users of accounting information. It is also important to understand that sometimes it is a very smooth line between the two concepts, and unlike fraud, creative accounting only exploits the imprecisions and incompleteness of accounting regulations, which is not always a moral practice or a practice which is based on the intention to faithfully reflect reality, on the contrary it has the intention to cheat, to mislead. There are many opinions for and against the use of creative practices, the flexibility of norms gives accounting options which privilege certain categories of users and underprivilege other categories of users. Our purpose is to draw the attention to these issues so that the users of accounting information can analyse as objectively as possible the figures presented by the financial statements, we are not for or against these creative accounting techniques, but we want to make known its limits and the limits to which they stay legal, it is for everyone to consider up to which limit they are moral.

2. Theoretical background

Michel Capron, in one of his works has asked himself the question: "Is there an accounting truth?", and this question was also the title of a chapter of this book. At the end of this chapter the author answers as follows: "To the question asked at the beginning of the chapter "Is there an accounting truth? We can answer safely negatively." At the end of his writing, the author states: "Accounting is not only an instrument, it is also a social phenomenon crossed by the contradictions of society and it became a stake for different social protagonists, each trying to take advantage depending on his/her own interests" (Capron, 1994, page 156).

The concept of faithful image has Anglo-Saxon origin (true and fair view) and was used for the first time in the year 1947 in the text of companies law of Great Britain (Companies Act) where it mentioned as follows: "each balance sheet of a company has t ogive a faithful image of the company businesses, at the end of the fiscal year and each profit and loss account of a company has to give a faithful image of its result for the fiscal year" (Malciu et al, p. 335).

The equivalent of faithful image in French accounting reference is the honesty; this concept appeared in the French law in 1937. Honesty had the mission to serve as qualitative criterion and as reference in the control of reliability of accounting information. Certainly, it corresponds to the intention to be as close to reality as possible. The honesty encountered in the French system has gradually got farther from the faithful image of the British system; thus, honesy is regarded as meaning the conformity with the rules and is transposed in the observance of rules imposed by laws, customs, regulations.

Trying to give a definition to the concept of faithful image, Lee mentions as follows: "Today the faithful image has become a term of art. It involves the presentation of accounts drawn up according to the generally accepted accounting principles, the use of numbers as exact as possible, the realization of as reasonable estimates as possible and their arrangement so that we can provide, with all the limits of current accounting practices, the most objective image possible, devoid of errors, distortions, manipulation or significant omissions. In other words, we have to envisage both the letter and the spirit of the Law" (Lee, 1981, p. 270).

Amat O. analysed this definition and highlighted the following issues:

- The reference to the reasonable estimates and to the limits of current accounting practices involves a certain tolerance to certain inevitable precisions. "It is preferably to approximate than to make a mistake with accuracy", said J.M. Keynes, who can explain the replacement of the requirement of true and correct view with the true and fair view. Thus regarded, the creation of faithful image can be considered a true incentive in the use of techniques and mechanisms of creative accounting.
- The most objective image possible -this expression means actually the treatment with a neutral attitude which is already manifested and expressed as a principle in accounting regulations. Neutrality involves a way of selection and presentation of information, the financial statements which does not influence the decisions of users of accounting information and which does not lead to a predefined result. Analysed from this perspective, faithful image is against the adoption of creative accounting practices;
- The reference to omissions and to the letter and spirit of the law has determined certain specialists to consider that this requirement of true and fair view is much more rigorous because: true means the letter of the law and fair (faithful) symbolises its spirit. Analysed form these points of view, the concept of faithful image is opposed to the use of creative accounting practices;
- If a court of law should have to decide whether the financial reports made by a company present or not a faithful image, this would be difficult to invoke, because other appreciation criteria do not exist except the conformity with the generally accepted accounting principles. Analysed from this angle, the concept of faithful image supports the use of creative accounting methods and practices (Amat et al, 1999).

3. Methodology

This approach is mostly qualitative, opinion-based and overall descriptive. This paper uses as a method of research both descriptive and exploratory, was followed the deductive nature and used the presentation and explanation of the cause-effect relationships; it has also an inductive nature and various interconnection relations with direct and indirect involvement factors were followed.

For data collection we used studies and reports published by various specialists and organizations to obtain a comprehensive description of the issues addressed.

4. Faithful image – creative accounting relationship

We have to mention that in the British accounting regulations this notion was never defined explicitly. We consider that this faithful image concept is a relative one; each user of accounting information has his/her own perception of what faithful image means. Therefore, the creative accounting has a negative impact on the reflection of a faithful image if this flexibility that the accounting norms allow is used with the purpose of making reports to the detriment of majority and in favour of a low number of users of accounting information.

The continental accounting system considers, in general, that the practice of creative accounting is an obstacle in realization of a faithful image and represents a deceitful and unwanted practice; on the other hand, the Anglo-Saxon accounting system proves a higher flexibility and considers creative accounting as a necessary thing to keep up with the economic, social and legal evolutions.

The concept which prevails in accounting – the faithful image – has generated two major opinions (Feleagă et al, 2005, vol 1):

- 1. The Anglo-Saxon opinion which we find in countries in which we distinguish accounting from taxation and where the financial statements represent a synthesis of financial accounting and management accounting. In other words, accounting mirrors the economic reality and is perceived as an information system regarding the company and about the company. The opinion spread in these Anglo-Saxon countries is that the faithful image depends on the professional reasoning which is an expression of professional art. This method of presentation should lead to an image which does not suffer intended deformations, manipulation or omissions of significant information.
- 2. The continental opinion according to this opinion, in some countries the accounting was and still is perceived as a tool in the service of the state which has to assure a correct tax base for the calculation of taxes and duties. In order to reflect a faithful image, by the annual financial statements of reporting, the accounting has to be run based on own principles, without proceeding to misrepresentation by the adjustments made to the values for exclusive fiscal purposes.

The convergence of European accounting with the concept of faithful image has started with the Directive IV, whose provisions set forth as follows:

- a) annual accounts (balance sheet, profit and loss account and annexes) have to offer a faithful image regarding the patrimony, financial situation and result;
- b) when the application of directive is not sufficient, in view of obtaining a faithful image, further information has to be provided;
- c) for the purpose of respecting the principle of faithful image, the application of the other accounting principles can be abandoned in exceptional cases, more exactly when their use leads to the creation of an image which is not faithful, assuming that a faithful image is obtained in this case only by the lack of conformity with the rules in force. We can see though the more restrained nature of derogation than in the Anglo-Saxon area.

We can conclude that the continental concept considers creative accounting as an obstacle to the illustration of a faithful image and represents an unwanted fraud practice; on the other hand, the Anglo-Saxon concept proves a certain flexibility and appreciates as necessary the manifestation of professional reasoning, freedom of choice, judgement in the building and illustration of a faithful image.

5. The relationship between creative accounting and fraud

The concept of fraud refers to an action intently carried out by one or more persons from the management or those responsible for governance of employees or third parties, actions which involves the use of fraud with the purpose of acquiring an unfair advantage.

Fraud appears as effect of events such as:

- Manipulation or changes of entries or documents (forged with the purpose of misrepresentation or to hide the truth);
- Embezzlement of assets or theft of assets;
- Inadequate allocation of certain assets, which leads to a worsening of financial situation of an entity, which can have direct consequences in business continuity of the company;

- Removal or omission of effects that some transactions or entries of fictitious transactions have with the purpose of making-up the financial statements;
- Willful wrong application of accounting norms with the purpose of presenting financial statements which are meant to mislead the users.

Brown P.R. defines fraud as "Forgery, change or destruction of documents, recording of false operations or dissimulation of important information" (Brown, 1999, p.61-63).

IFAC (International Federation of Accountants) defines fraud as "an intended act committed by one or more individuals from management, persons responsible for the governance of employees or third parties, which involves the use of fraud to obtain an unfair or illegal advantage" (IFAC, 2009). Therefore, fraud has a negative nature, violates the law and must be punished accordingly.

Fraud can also be committed by:

- Forgery of accounting entries or supporting documentation based on which the financial reports are made;
- The incorrect application of accounting policies (overevaluation of amounts from current sales);
- Recording of transactions which were not made (recording of fictitious sales);
- Destruction of entries or documents regarding the results of transactions;
- Embezzlement of assets (theft or abuse of assets which belong to the entity such as hiding sales, fraudulent invoices, fraudulent payments).

Unlike fraud, creative accounting only exploits the imprecisions, incompleteness of accounting regulations. Thus, if for the resolution of the same problem there are many accounting treatments, we will choose the variant which will lead to the result targeted by the management.

From ethical point of view, just as blaming are these techniques which, even if they do not violate the accounting regulation and cannot be punished or restricted, they alter the economic reality. On the other hand, when it is used with good faith, it is a necessary instrument in building and illustration of a faithful image.

Therefore, we cannot consider fraud and creative accounting as synonyms. Both of them represent intended actions, but creative accounting is made with the observance of the law, but is not made in the spirit of the law. Creative accounting is a legal practice, can even be an instrument for representation of faithful image, when it is used with good faith. But we can prove that it is closer to fraud, if the flexibility of norms is used for the purpose of obtaining certain advantages for certain categories of users, to the detriment of other categories of users.

Considering that in the last two decades the economic reality was shaken by many financial scandals, the specialized publications have started to pay more attention to the creative accounting phenomenon.

The concept of creative accounting appeared in the years `80s in Great Britain and made reference to the accounting artifices used for the purpose of maximising results and attracting investors. The topic was less treated at that time, its approach with higher interest appeared only after resounding financial scandals. Often a general vision of creative accounting is brought close-up and the way in which we can remove this phenomenon of manipulation of numbers is less detailed. In `90s more works on this subject began to be written, among which reference works are authors such as Kamal Naser "Creative financial accounting-its nature and its use" in 1993, Bernard Colasse "Lorsque la comptabilité creative se met a deraper" in 1993, Francois Bonnet "Pieges (et delices) de la comptabilité (creative)" Paris, 1999, Stolowy H "Comptabilité creative" Paris, year 2000.

Analysing the studies and definitions of this period we notice that the academic authors do not highlight the appreciation of legality or illegality of these accounting practices, their focus is not creative techniques. After 2000, the explosion of technology and the resounding financial scandals of reputed companies such as a Enron, Parmalat, Tyco, etc have incited the interest of accounting experts regarding this topic. These scandals have also diminished the trust in the information presented in the financial statements even when they were audited.

This topic became more and more interesting since then, the manipulation of accounting figures became a subject of interest because the manipulation of figures became a more and more frequent practice.

Thus, in the following years the specialised literature presented new perspectives for creative accounting. An example in this respect would be the work of Lorne Steward Cummings from 2007 "How to cook your book-a recipe for disaster" in which the writer uses a metaphor to convey the idea that it takes ingredients and a method when we talk of creative accounting. Among the ingredients he mentions the dispair, lack of ethics, lack of experience.

In 2009 M. Omurgonulsen and U. Omurgonulsen say in the study that "the deficiencies between the legal framework for the banking sector and the legal accounting framework, the mismatches between the governmental regulation autonomy and the autonomy of supervisory bodies, the practical difficulties in the application of legal and ethical norms caused by the slow functioning of judicial system are justified reasons for the creative accounting practices in addition to the greed of owners and top managers. However, the intention and capacity of political power to fight against the corruption problems of this kind are also crucial" (Omurgonulsen, 2009, p. 651-673).

Another author says in 2010 that "when the rules and laws are clearly established" creative accounting remains a problem (Mc Barnet, 2010, p. 396-386).

While in foreign literature there are many works on this topic, in specialised literature of Romania the approach is still insufficient.

6. Conclusions

If the purpose of creative accounting is supposed to improve accounts (or the image that they give to the economic entity), by taking advantage of the weaknesses and carences of accounting regulation, we consider that this concept does not bring anything new because the principle of options has been known to accountants for a very long time.

Fraud, on the other hand, does not have anything creative, it is illegal. The "illegal" procedures are not worth mentioning, because in such mechanisms there is nothing creative most of the times. In most cases when creative accounting manifests itself, the application and choice of accounting policies integrate in the limits of flexibility of rules and accounting standards.

The way in which the accounting policies are applied is based on the professional judgement of the person who applies them. In many cases, this judgement leads to prejudice of entities' results and the financial position reported for them. This is about an aggressive application of accounting policies and we make reference to a fraudulent reporting.

When the accounting practices exceed the limits of accounting regulations, thus the financial statements do not present a faithful image of the result and financial position. In order to decide if it involves a fraudulent financial reporting, we have to prove the intention. What represents an aggressive adoption of accounting policies in a first stage can be turned later into a fraudulent financial reporting if this approach is continued for longer periods of time and has as purpose significant amounts of money. However, it is not always easy to identify the moment when the use of creative accounting becomes fraudulent.

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Auditor's Uncertainty About Going Concern – Predictor of Insolvency Risk

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Abstract

The primary indications of some uncertainties about the going concern of an entity can be obtained by investors and the general public in the financial statements and in the audit report. The present paper analyzes the going concern principle based on the regulations in the field of financial reporting and on the basis of the regulations in the field of international, European and national auditing. The financial statements must provide a faithful image of the performance and financial position of the entities, and the auditors must to express an opinion on compliance with all accounting principles. The study showed that in most cases the auditors had uncertainties about the going concern that led to insolvency of companies, and the main underlying factors were the reported losses, negative equity, the business history.

Key words: going concern, auditor's opinion, auditor's report, financial statements, insolvency

risk, uncertainty

J.E.L. classification: M40, M42

1. Introduction

The present article deals with the analysis of the main accounting and auditing regulations in terms of going concern reporting and its implications for the legal status of the companies. The financial statements as a whole provide a true and fair view of the performance and financial position of the entities, and the auditors should express their views on the observance of all accounting principles. In order to analyze the auditors' reports on the going concern have been selected 10 companies listed on the Bucharest Stock Exchange (BSE) and suspended from trading, from 2011 until now. Data systematization revealed that the auditors had uncertainty about the going concern, which was analyzed retrospectively as predictions for the future insolvency.

The study will contribute to the development of literature as it provides an analysis of the available data on the reporting of going concern by listed Romanian companies from a perspective oriented on the importance of identifying the reasons that may lead to the going concern principle.

The paper is structured as follows: the next section contains a summary of the relevant literature on going concern, while the third section describes the methodology of the research. The fourth section presents the results of the study together with our comments. The last section includes the final conclusions, study boundaries and future research directions.

2. Literature review

In analyzing regulations regarding going concern, a distinction is made between the accounting regulations and those applicable to the auditors. Under these regulations, an entity's financial statements are prepared on the assumption that the entity will continue its business in the foreseeable future, with neither the intent nor the need to liquidate or significantly limit its activity. At an international level, auditing regulations are governed by the International Standard of

Auditing (ISA) 570 Going concern, which states that "the auditor cannot predict such future events or conditions" and the absence of references to going concern uncertainty in the auditor's report can't be regarded as a guarantee as to the entity's ability to continue the activity.

In the literature there have been many debates on the going concern, the tools available to companies to assess the extent to which the activity may or may not continue, have been investigated. It was debated whether the existing standards provide sufficient indications for the auditor to consider going concern (Masocha and Wettman, 2007). Some authors (Lam and Mensah, 2006; LaSalle 2006; Miller, 1999) questioned whether the issue of an audit report that highlights the problem of going concern should be based on financial factors, non-financial factors or their combination. At the same time, the question was whether the auditor should have a rolling or a passive in testing the principle of going concern.

Others authors (Arnold et al, 2001; Barnes, 2004) questioned the auditors' competence to issue judgments about the going concern, as well as their ability to withstand the pressures on the part of the client company and on the economic, social and political environment. Read and Yezegel (2018) analyzed a sample of US companies, if Great Recession had an effect on the issuance of opinions going concern and have found that there is a no major difference between the period after the crisis that during the crisis, that auditors preserves conservatism in issuing opinions. Caserio et al. (2014) conducted statistical models to identify the relevant financial indicators for auditors in going concern and resulted that the auditors' opinions being useful in warning the risk of bankruptcy.

For investors, the auditors' report is a source of information about their investment, so any modified opinion of the auditor may be a negative signal. Geiger and Kumas (2018) found that institutional investors were better informed related going concern, than other investors on the market.

Financial statements must be the basis for an effective dialogue between the company and its users without being distorted to prevent the risk of insolvency (Megan et al., 2009). A company's performance is measured by financial and non-financial indicators to capture the whole of the company and identify the risks associated with its business (Imbrescu and Hategan, 2011).

Uncertainty of going concern is becoming more important in the case of the new audit report that contains a special paragraph for this situation. Cordos and Fullop (2015) conducted a survey in which they asked the auditor whether the inclusion of this paragraph and half of the respondents considered it a good solution.

Gutierrez et al (2016) examined the going concern opinions can be a better predictor for default, on a sample of US companies and they found that they do not perfect overlap but the auditor's opinion can be considered information to predict the risk of insolvency. Also the same study was performed on a sample of companies from 17 major economies and have reached similar results, even if there were differences between countries (Gutierrez et al, 2015).

3. Methodology

From a methodological point of view, the topic of going concern was treated from the perspective of the concept and of the norms. The norms in the field of accounting and auditing were explained and evaluated. The paper presents the content of the main accounting and audit regulations regarding the principle of going concern, existing at international, European and national level.

In order to demonstrate the objective of the paper, a qualitative analysis was conducted of the auditor's reports in order to identify the sign for a future insolvency. For the case study, 10 companies listed on BSE, which have been suspended from trading from 2011 until 2018. Based on the annual reports published for the period prior to the suspended trading, the reasons for the suspended trading due to insolvency were identified and the extent to which the auditor identified any uncertainties as to the continuity of the business before insolvency.

The analysis carried out has identified the types of opinions issued by the auditor, the bases of opinions expressed, the size of the financial result and the equity as the main indicators indicating possible difficulties in the activity of the companies. The analysis was deepened on the basis of

reports prior to the reference period with the assessment of indications that could have foreseen the risk of insolvency of companies.

4. Results

In table no. 1 were presented the information regardind auditor's opinion in the year before insolvency, considerating reference year, preceding the insolvency of companies ordered after the date of insolvency.

Table no. 1 Auditor's opinion before insolvency

Name of companies	Date of insolvency	Ref. year	Auditor category	Type of Opinion	GC paragraph
UCM RESITA S.A.	08.12.2011	2010	N/A	N/A	N/A
CONCEFA S.A.	15.03.2012	2011	Non-Big4	Unmodified	Yes
OLTCHIM S.A.	30.01.2013	2012	Big4	Disclaimer	Yes
COS TARGOVISTE S.A.	25.02.2013	2012	Non-Big4	Adverse	Yes
COMP ENERGOPETROL S.A.	25.07.2013	2012	Non-Big4	Qualified	Yes
AMONIL S.A.	05.06.2015	2014	Non-Big4	Unmodified	Yes
DAFORA SA	19.06.2015	2014	Big4	Unmodified	Yes
CONDMAG S.A.	20.07.2015	2014	Big4	Unmodified	Yes
ROMCAB SA	20.02.2017	2016	Non-Big4	Qualified	Yes
PETROLEXPORTIMPORT S.A.	19.10.2018	2017	Non-Big4	Unmodified	Yes

Source: Own projection

From the table no. 1 result that the most companies were audited by non-Big4 auditors. Most of the opinions expressed by auditors were unmodified, but all auditors highlighted in the report a paragraph on going concern. In the case of one company, UCM Resita, the appointed auditor (Big4) did not audit the financial statements, and after the insolvency, a new auditor (Non-Big4) was appointed to carry out the audit, but could not find any information, the report was no longer published on the website.

In order to highlight the justification of the auditors' opinions, table no. 2 presents the accounting indicators of the reference and the previous years, showing the indices of difficulty of the companies' activity.

Table no. 2 Indicators from financial statements

Name of companies	Reference year		Previo	us year	GC
	Net profit	Equity	Net profit	Equity	previous year
UCM RESITA S.A.	-88169863	37654724	-63838458	125824587	Yes
CONCEFA SA	-51905451	61029382	3728288	107059998	No
OLTCHIM S.A.	-569443477	-1522329485	-198562403	67293474	Yes
COS TARGOVISTE S.A.	-104082423	-200391355	-138341241	-97286439	Yes
COMP ENERGOPETROL	764606	12818972	56773	8770358	No
AMONIL S.A.	-2659572	63512371	1569835	66181570	No
DAFORA SA	3248788	-58159643	-146376831	-50951080	Yes
CONDMAG S.A.	-14383768	44715718	-23285323	59099486	Yes
ROMCAB SA	-179413881	-17710337	42130193	164618321	No
PETROLEXPORTIMPORT	-3656536	-108872931	-6520540	-108248123	No

Source: Own projection

In table no. 2 can be observ that the most of the companies recorded losses in the reference year, but half of the companies registered negative equity. Analyzing the situation in the year before the reference year was found that more than half of the companies had losses, and only three companies registered negative equity, which highlights that the companies' situation was worse in the reference year.

In order to detail the information, table no. 3 presents the reasons for the auditors' opinions related to the insolvency reasons of the companies.

Table no. 3 Auditor's opinion and insolvency cause

Name of companies	Basis for modified opinion and GC	Insolvency cause	Status at Oct 31, 2018
UCM RESITA S.A.	Losses, provisions, adjustments, revaluation	Demand notice, default	Suspended, insolvency procedure
CONCEFA SA	Losses, GC Uncertainty	Demand notice, default	Delisted Dec, 2017
COS TARGOVISTE S.A.	Losses, unpaid taxes, adjustments	Demand notice, default	Suspended, insolvency procedure
OLTCHIM S.A.	Losses, provisions, adjustments, revaluation	Inappropriate management, related parties, inefficient investments	Reorganization, Tradeable
COMP ENERGOPETROL S.A.	Revalution, GC Uncertainty	Dependence on a single supplier, customers portfolio reduction	Special Watch List, Tradeable
AMONIL S.A.	Losses, GC Uncertainty	Unpaid taxes, default	Reorganization, Tradeable
DAFORA SA	GC Uncertainty, negative equity	Demand notice, default	Suspended, insolvency procedure
CONDMAG S.A.	Losses, GC Uncertainty Dafora Group	Demand notice, default	Reorganization, Tradeable
ROMCAB SA	Losses, adjustments, inventory	Demand notice, default	Suspended, insolvency procedure
PETROLEXPORTIMPORT S.A.	Losses and growing of liabilities	Enforcement of loan, assets guarantees	Bankruptcy

Source: Own projection

The reasons for insolvency were closely correlated with the deficiencies identified in the auditor's report. Most insolvency entries were made at the request of companies as a result of default. In the reference year, all companies surveyed had references in the auditor's report on going concern. The insolvency indices were identified one year before the reference period to half of the number of companies, which shows that auditors performed audit tests on going concern.

Fortunately, 4 companies have managed to apply the reorganization plan, registered profit or reduce losses and were tradeable at BSE on October 31, 2018. A single company (COMP ENERGOPETROL) that had positive indicators started insolvency because of external factors to the company, driven by competition and dependence on a single suppliers and customers portofolio reduction, but this situation was also identified by auditors.

5. Conclusions

Through this paper were presented the theoretical and practical aspects related to the going concern, from the accounting point of view and the audit, with legal implications. Going concern topic may be followed by users of financial statements for investment decisions or other strategic decisions.

Going concern is an important area of the audit engagement and it is essential that everyone involved in this process is aware of the audit evidence required by the auditor to confirm that the accounting policies and disclosures have been correctly applied in the annual financial statements.

From the accounting point of view, the implications of the going concern are reflected in the financial statements when the basis for their evaluation and presentation is established. Following the analysis of financial reporting frameworks at international, European and national level, it can be concluded that the entity's management holds the responsibility to assess the plausibility of the going concern on the basis of which the financial statements are prepared. From the point of view of the implications in the audit, it is very important for the auditor to identify all events and transactions that can influence the auditor's opinion. The auditor has the responsibility to appreciate each audit engagement is appropriate for the management's use of the going concern. But the auditor cannot be imputed to the situation in which the audited entity fails, although a report has been issued without additional the going concern principle.

An important conclusion to be drawn from the case study was that the risk of insolvency was in direct correlation with several factors, such as the profit of the company, followed by size of equity and auditor's opinion and the evolution of past activity of the company.

The paper can be a bibliographic source for researchers in the field of accounting and financial audit, for representatives of the management of entities to understand the necessity and importance of observing the principle of going concern, as well as for the practitioners of the accounting profession who find in the paper systematized indications regarding the uncertainty of going concern.

The limits of the research were that there is no certified database on insolvency companies' reports, for listed companies the level of confidence in the published information was provided by the reports issued by independent financial auditor's reports. Also, the small number of companies surveyed did not allow for empirical research to test hypotheses on the role of the auditor in preventing company insolvency, but which can be considered a future direction of research by increasing the number of companies, as well as a comparative analysis of the uncertainty situation on the continuity of the activity of companies from different countries.

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A Dynamics Analysis of Labor Productivity in Economically Active Companies of Constanta City, Grouped into Categories of Activities

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Abstract

The structure of the economic activity undertaken by the companies in Constanta city is different from that of any other locality in Romania. This is due to the existence of the largest Romanian port by the Black Sea on the territory of Constanta city, which is also a port by the Danube, via the Danube-Black Sea Canal. Moreover, Mamaia, the largest tourist resort on the Romanian seaside, belongs to Constanta city. Furthermore, in Constanta city other important economic operators from other fields of activity are conducting their business.

The present study includes the analysis of the labor **productivity** evolution registered by the active companies in Constanta county in the years 2016-2017, based on the indicators from the financial accounting balance sheets.

For data processing, we have used the SPSS statistical software and quantitative statistical methods. The interpretation of the results obtained can be useful to current and potential entrepreneurs in carrying out economic activities in those areas of activity where a higher efficiency of the work done by workers is achieved.

Key words: analysis, labor productivity, turnover, Constanța **J.E.L. classification:** C10, C40, E240, M10, M20, M21, O11, O12

1. Introduction

In this study, we have dynamically analyzed the average level of labor productivity (calculated as a ratio between net turnover and number of employees) recorded in the companies of Constanţa city in the years 2016 and 2017, by processing the information obtained from the financial accounting balance sheets submitted to tax authorities by these companies.

Within this analysis we used three indicators, namely: "Net turnover", "Average number of employees" and "Productivity of work", while the activity of the companies from Constanta was presented by fields of activity, grouped by CAEN codes.

2. Theoretical background

Productivity is generally defined "as a ratio between the volume of output and the volume of inputs", in other words, "it measures how efficiently production inputs, such as labour and capital, are being used in a economy to produce a given level of output" (OECD, 2018, p.9). Obviously, it should be pointed out that in the specialized literature "there is neither a unique purpose for, nor a a single measure of, productivity" (OECD 2011, p.11). Productivity is, in fact, considered to be a key source of economic growth and competitiveness.

As specified in the Annex to the Order of the Ministry of Public Finance no. 1802/2014 for the approval of the Accounting Standards for Individual and Consolidated Financial Statements, net turnover "means the proceeds from the sale of goods and service provision after the deduction of trade discounts and of the value added tax and of other taxes linked to turnover".

3. Research method

In order to achieve the pursued objective, we have chosen a quantitative approach, based on secondary data (Jugănaru, 1998; Jugănaru, 2000) represented by values of the indicators: "Net turnover", "Average number of employees" and "Workforce Productivity", indicators reported by the economically active companies in Constanța city.

The data have been selected from a large database of 26,978 companies that submitted their balance sheets in 2016 and 28,292 companies in 2017, including a series of economic indicators that companies are required to submit. (Accounting Law No. 82/1991 with subsequent amendments and additions; Official Gazette No. 902 of 11 December 2014, OMFP 1802/2014, Matiş, Pop., 2007). Furthermore, in order to carry out the research, we have eliminated companies that reported zero turnover and declared a number of zero employees. Thus, 11,186 analyzed balance sheets about the year 2016 and 11,945 about 2017 have been kept in the study.

The data processing consisted in determining some absolute, relative statistical indicators and averages of the chronological data series. (Aivaz 2007, p. 329, Aivaz 2007, p. 99). Moreover, for data processing and graphics design, we have used the SPSS statistical software (Field 2009).

4. Data, results and discussions

The research has been conducted in three stages, related to the three indicators selected and analyzed.

✓ In the first stage, we have made the statistical description of the net turnover of Constanţa city companies, by field of activity, in the years 2016 and 2017, using the following statistical indicators: average level (Mean), number of companies (N), the cumulative value of the financial indicators (Sum), the lowest value of the analyzed financial indicator (Minimum), respectively the highest (Maximum).

Table no. 1 - Dynamics of the "Net turnover" indicator registered by Constanta county companies in the years 2016 and 2017, by field of activity

			y field of activit	,	Net turnover (RON)				
	2016						2017			
Ac tiv.										
	Mean	N	Sum	Min	Max	Mean	N	Sum	Min	Max
1	3745032.1	194	726536228	200	155190165	3440062.2	205	705212751	117	182026465
2	3246462.3	23	74668633	4000	15639177	8088091.8	18	145585654	3816	58088740
3	2398942.0	797	1911956771	383	192835391	2573109.8	798	2053341679	14	229830865
4	61693587.8	23	1418952520	407	499393440	61477629. 7	22	1352507854	103	481901551
5	9981606.0	54	539006729	750	270803067	11495457. 3	46	528791036	2000	284206630
6	1332030.5	836	1113577534	6	57775593	1242802.5	860	1068810197	54	62939159
7	3195563.4	3277	10471861260	4	264774881 7	3304663.9	3282	1084590716 8	17	296138565 9
8	2237638.3	1451	3246813194	17	289799598	2427783.4	1474	3578552768	8	302472694
9	846355.6	727	615300589	10	39326641	904398.6	742	671063770	42	28134885
10	380467.3	350	133163574	118	8282850	361689.4	393	142143952	245	9033209
11	291292.9	191	55636958	500	6255477	296017.9	175	51803136	30	5788888
12	409437.1	457	187112797	42	17064062	409166.4	538	220131535	163	28349962
13	392782.6	1414	555394605	29	138744625	307639.3	1498	460843793	1	22407331
14	1027242.2	574	589637074	12	68663185	846908.3	597	505604263	12	39530076
15	10532.0	1	10532	10532	10532	623381.0	2	1246762	21094	1225668
16	538450.1	125	67306272	1187	45674623	149441.8	141	21071304	700	2038600

17	711857.9	314	223523387	2	21595537	727821.4	362	263471346	100	26331395
18	851772.4	265	225719701	309	77691513	580434.8	314	182256553	100	38380759
21	582288.67	113	65798620	121	14813415	269838.56	478	128982830	142	14377185
То	1986588.32	1118	22221976978	2	264774881	1919407.9	1194	2292732835	1	296138565
-tal		6			7	8	5	1		9

Source: Data obtained by processing the information from the financial accounting balance sheets of active companies in Constanța city

The net turnover of the active companies in Constanța city (in this study we only refer to companies with a turnover higher than zero and with at least one employee) recorded a slight decrease of 0.89% in 2017 compared to 2016. In 2016, the average net turnover of the active companies (11,116) in Constanța city was 1,986,588.32 RON.

The fields of activity (grouped by CAEN codes) where the highest average net turnover was achieved were those belonging to the "Production and supply of electric and thermal energy, gas, hot water and air conditioning" (61.693.587, 83 RON), followed by "Water distribution, sanitation, waste management, decontamination activities" (9,981,606.09).

The largest share of net turnover achieved by Constanța city companies in 2016 was recorded in "Wholesale and retail trade, repair of motor vehicles and motorcycles" (47.1% of total net turnover), followed by companies in "Transport and storage" (14.6% of the total).

In 2017, the average net turnover of the active companies in Constanța city (11,945) was 1,919,407.98 RON, which shows an increase of more than 15% compared to 2016. The fields of activity where the highest average net turnover was registered were the same as in the previous year, namely "Production and supply of electric and thermal energy, gas, hot water and air conditioning" (61,477,629.73 RON), followed by "Water distribution, sanitation, waste management, decontamination activities" (11,495,457.30 RON).

The largest share of net turnover achieved by active companies in Constanța city in 2017 was held by those in the "Wholesale and retail trade, repair of motor vehicles and motorcycles" (21.5% of net turnover total), followed by companies in "Transport and storage" (14.8%).

✓ In the second stage, we have made a statistical description of the number of employees of the companies in Constanța city, by activity fields, in 2016 and 2017, using the following statistical indicators: the average level (Mean), the number of companies (N), the cumulative value of the financial indicators (Sum), the lowest value of the analyzed financial indicator (Minimum), respectively the highest (Maximum).

Table no. 2 - Dynamics of the "Average number of employees" indicator, registered by Constata county companies in the years 2016 and 2017, by field of activity

•		Avera	ge number	of emplo	oyees					
	2016					2017				
Activ CAEN group	Mean	N	Sum	Min	Maxi mum	Mean	N	Sum	Min	Maxi mum
1.	6.23	194	1208	1	82	6.29	205	1290	1	82
2.	11.09	23	255	1	49	21.11	18	380	1	162
3.	15.13	797	12056	1	1033	14.60	799	11663	1	1038
4.	65.13	23	1498	1	660	64.82	22	1426	1	622
5.	75.56	54	4080	1	2091	85.89	46	3951	1	2161
6.	9.06	836	7575	1	351	8.63	861	7430	1	319
7.	5.47	3277	17915	1	565	5.18	3286	17037	1	565
8.	8.52	1451	12363	1	939	9.93	1475	14641	1	1940
9.	7.57	727	5505	1	280	7.87	742	5842	1	236
10.	3.52	350	1232	1	140	2.94	393	1157	1	62
11.	3.70	191	706	1	65	3.35	175	587	1	49

12.	2.78	457	1271	1	109	2.78	538	1496	1	132
13.	2.74	1414	3874	1	142	2.47	1499	3696	1	98
14.	16.86	574	9678	1	941	14.98	598	8958	1	967
15.	1.00	1	1	1	1	21.50	2	43	2	41
16.	6.20	125	775	1	306	3.37	141	475	1	29
17.	6.20	314	1948	1	105	5.77	362	2089	1	117
18.	3.91	265	1037	1	100	3.24	314	1018	1	104
21.	4.22	113	477	1	87	3.68	478	1760	1	86
Total	7.46	11186	83454	1	2091	7.11	11954	84939	1	2161

Source: Data obtained by processing the information from the financial accounting balance sheets of active companies in Constanța city

Analyzing the evolution of the number of employees of the active companies in Constanţa city in 2017 compared to 2016, we note a slight decrease in the values of these indicators, from 7.46 to 7.11 employees. The main explanation for this phenomenon is the worsening situation on the Romanian labor market, respectively the increasing difficulty in finding labor force available for employment, especially skilled workers.

By category of activity, in 2016 most employees were registered in "Wholesale and retail trade, repair of motor vehicles and motorcycles" field (17,915 persons, representing 21.5% of the total number of employees of the active companies in Constanta city), followed by those in "Transport and storage" (12,363 persons, 14.8% of the total) and "Manufacturing" (12,056 persons, representing 14.45%) fields.

The highest average number of employees in Constanţa city was registered in 2016 in the field of "Water distribution, sanitation, waste management, decontamination activities" (75.56 employees), followed by the fields "Production and supply of electric and thermal energy, gas, water and air conditioning" (65,13 employees) and "Administrative services and support service activities "(16,86 employees).

In 2017, most employees were registered in the fields "Wholesale and retail trade, repair of motor vehicles and motorcycles" (17,037 employees, representing 21.1% of the total number), followed by "Transport and storage" (with 14,642 employees and a share of 17.2%) and "Manufacturing" (with 11,663 employees and a share of 13.7%).

In the last stage, we have made a statistical description of the labor productivity registered by the companies in Constanta city, by field of activity, in the years 2016 and 2017, with the help of the following statistical indicators: absolute level, absolute and relative dynamics.

Table no. 3. Dynamics of the "Labor Productivity" Indicator registered by Constata county companies in the years 2016 and 2017, by field of activity

Activities			Dynamics
CAEN_Group	W_2016	W_2017	w %
1. Agriculture, Forestry and Fisheries	601437.3	546676.5512	90.89502331
2. Extractive industry	292818.2	383120.1421	130.8389243
3. Manufacturing	158589.6	176054.4103	111.1526972
4. Production and supply of electric and thermal energy, gas, water and air conditioning	947231.3	948462.7307	100.1300009
5. Water distribution; sanitation, waste management, decontamination activities	132109.5	133837.2655	101.3078342
6. Construction	147006.9	143710.5202	97.96673889
7. Wholesale and retail trade; repair of motor vehicles and motorcycles	584530.4	636604.4017	109.0422175
8. Transport and storage	262623.4	244414.7402	93.13175539
9. Hotels and restaurants	111771.2	114868.8412	102.7713904

10. Information and communications	108087.3	122855.6197	113.6633082
11. Financial intermediation and insurance	78805.89	88250.65758	111.9848505
12. Real estate transactions	147217	147146.748	99.95228531
13. Professional, scientific and technical activities	143364.6	124579.9302	87.03011532
14. Administrative service activities and support service activities	60925.51	56441.60281	92.79559423
15. Public administration and defense	10532	28994.46512	275.2987573
16. Education	86846.8	44360.64	51.0791862
17. Health and social care	114745.1	126123.191	109.9160045
18. Entertainment, cultural and recreational activities	217666.1	179033.942	82.25165862
19. Other service activities	137942.6	73285.69886	53.12767708
Total	266278.2	269908.0156	101.446687

Source: Data obtained by processing the information from the financial accounting balance sheets of active companies in Constanța city

Labor productivity dynamics by field of activity 1000000 800000 600000 400000 200000 Λ ■W 2016 ■W 2017

Figure no. 1 - Labor productivity dynamics by field of activity

Source: Data obtained by processing the information from the financial accounting balance sheets of active companies in Constanța city

From the comparative analysis of the "labor productivity" indicator, expressed in value, calculated in the years 2016 and 2017 (see Table 1), we note a slight increase in the value of this indicator (by 1.44%), as an average, at the level of active companies in Constanța city in 2017 compared to 2016.

Different, even contradictory evolutions of this indicator can be observed in 2017 compared to 2016 (see Figure 1), by field of activity. Thus, the most important increase was recorded in the "Public administration and defense" field, the increase being of 275% (but this field is not significant in the economy of Constanta city, in terms of number of companies and volume of activity), followed by the fields "Extractive industry" (+ 30,8%), "Information and communications" (+13,66%), "Financial intermediation and insurance" (+ 11.98%) and "Manufacturing" (+ 11, 5%). The most significant decreases in the "labor productivity" indicator were registered in "Education" (decrease of 48.93%), "Other service activities" (- 46.88%), " Entertainment, cultural, recreational activities" (-13%), "Agriculture and Forestry" (-9.11%) and other fields.

The highest values of labor productivity were recorded in the fields of "Production and supply of electric and thermal energy, gas, hot water and air conditioning", followed by "Wholesale and retail trade, repair of motor vehicles and motorcycles" and "Agriculture, forestry and fishing" and the lowest values in the fields of "Public administration and defense"," Education" and "Other service activities".

4. Conclusions

Analyzing the activity of the companies from the 21 fields of activity, grouped by CAEN codes, over the two years, using the three indicators, we note the following significant aspects:

- ✓ "Production and supply of electric and thermal energy, gas, hot water and air conditioning" and "Water distribution, sanitation, waste management, decontamination activities" were the fields of activity where the highest average net turnover was registered in both 2016 and 2017.
- ✓ Moreover, the largest net turnover was registered by a company in the "Wholesale and retail trade, repair of motor vehicles and motorcycles" field, both in 2016 and in 2017.
- ✓ Most employees were registered both in 2016 and in 2017 in the fields "Wholesale and retail trade, repair of motor vehicles and motorcycles", followed by "Transport and storage" and "Manufacturing".
- ✓ In 2016, according to the value of the indicator "labor productivity", the activity fields were ranked thus: "Production and supply of electric and thermal energy, gas, hot water and air conditioning", "Agriculture, Forestry and Fisheries", followed by "Wholesale and retail trade, repair of motor vehicles and motorcycles". In 2017, the field "Production and supply of electric and thermal energy, gas, hot water and air conditioning" was still ranked first, the second place was occupied by the field "Wholesale and retail trade, repair of motor vehicles and motorcycles" and "Agriculture, "Forestry and Fishing" fell to third place.

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Analyzing the Changes of the Main Elements in the Financial Statements of Companies Registered in Constanța Municipality

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Abstract

Constanţa is currently considered as one of the most important Romanian cities in economic and social terms.

Constanta's economic activity can be seen as the result of specific natural resources (direct access to the Black Sea, littoral strip, climate conditions), as well as of the efforts to capitalize its natural and anthropic resources.

This study is based on a meso-economic analysis of the evolution of several relevant indicators, which characterize the situation of the companies in Constanța (Romania).

The results obtained by data processing, representing the indicators from the financial and accounting balance sheets submitted by active companies in Constanţa in 2016 and 2017 highlight the main short-term trends in the economic activity of this city.

In terms of data processing, quantitative statistical methods and the SPSS statistical software were used.

Key words: analysis, evolution, indicators, balance sheets, Constanta

J.E.L. classification: C10, C40, M10, M20, M21, O11, O12

1. Introduction

In this study we quantified the changes registered by certain financial indicators from the financial accounting balances, indicators which are considered relevant for the analysis of the activity of the companies from Constanta, in the period 2016-2017 and, on this basis, we identified the positive and negative aspects of the evolution of the economic activity, at a meso-economic level. The results of the study refer only to the trends registered by the economic activity, without explaining the causes / factors underlying these changes.

2. Theoretical background

Constanța city, the largest Black Sea port, is the continuation of the ancient Greek city of Tomis, with more than 2,500 years of existence and more than 2,250 years of documentary attestation (Constanța Metropolitan Area Development Strategy 2020, p.10)

As early as the end of the 19th century, the economic activity of Constanța city was described as follows: "By its port, a real gateway of the European trade with the Orient, the town is still perceived in 1899 as a first-class spa resort; however, new industrial developments begin to hinder the traditional approach" (Tomis, 1899, p.2: in Pauleanu, 2006). A few years later, in 1903, in a report sent to the King, Constanța was described as "the first maritime port of the country and the most important spa resort" (Constanta, 1903, p.1, in Pauleanu, 2006).

The economy of Constanța municipality differs significantly from that of any other city or town in Romania. At present, in this Black Sea port city, as well as in the Danube river port, by the Danube-Black Sea Canal, companies from many economic fields carry out their activities; nevertheless, port activities and tourism remain the most emblematic.

3. Research method

This study is underlain by a quantitative research based on secondary data (Jugănaru, 1998; Jugănaru, 2000), represented by the values of some financial indicators from the financial and accounting balance sheets of active companies in Constanța city.

The selected and used indicators are: "Net Turnover", "Operating Profit", "Gross Profit", "Staff Expenses", "Average Number of Employees", "Equity", "Overdue debts related to the social insurance budget", "Taxes and duties not paid at the local budget deadline", "Number of companies". These indicators are part of the category of economic indicators that companies must submit (Accounting Law no. 82/1991 with subsequent amendments and completions, Official Gazette no. 902 of 11 December 2014, OMFP 1802/2014, Matis, Pop., 2007).

For data processing, we used the SPSS statistical software (Field. 2009) and we calculated the absolute and relative statistical indicators (Aivaz 2007, p. 329; Aivaz 2007, p. 99), whereby we conducted the meso-economical analysis on the evolution of the economic activity of companies in Constanta city, in 2016 and 2017.

4. Data, results and discussion

The research was carried out based on the data from the financial and accounting balance sheets submitted by companies in Constanța city, after removing from the total database the balance sheets of those companies that reported zero turnover and zero employees, in order not to influence the results of the analysis. Under these conditions, 11,538 companies remained in the study for 2016 and 11,982 companies - for 2017.

In the next stage, we capitalized the absolute values of the financial indicators from the financial and accounting balance sheets of the companies in Constanța City. On the one hand, we calculated their average values registered in 2016 and 2017, and, on the other hand, we calculated the rates of change, to highlight their evolution and, implicitly, the economic activities in the analyzed fields.

The results entailed by the calculation of statistical indicators (based on processing the data reported by the companies from Constanța Municipality at the end of the annual financial years, i.e. 2016 and 2017), are shown in Table no.1.

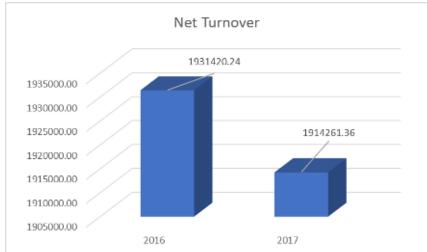
Table no.1. The evolution of the main financial indicators from the financial and accounting balance sheets of companies in Constanta city, between 2016 and 2017

Nr.	Indicator in the balance sheet	Average value in	Average value in	Percentage
crt.		2016	2017	evolution
1.	Net Turnover	1931420.24	1914261.36	-0.89%
2.	Operating Profit	137715.32	133645.70	-2.96%
3.	Gross Profit	116492.46	116394.03	-0.08%
4.	Staff Expenses	222404.26	241594.60	+8.63%
5.	Average Number of Employees	7.36	7.10	-3.53%
6.	Equity	705757.43	814877.89	+15.46%
7.	Overdue debts related to the social insurance budget	37549.36	35086.46	-6.56%
8.	Taxes and duties not paid at the local budget deadline	602.38	452.77	-24.84%
9.	Number of companies	11538	11982	+3.85%

Source: Data obtained by processing the information from the financial and accounting balance sheets of active companies in Constanța City

✓ Having in view the increase of the number of active companies (with a turnover higher than zero and with at least one employee) in Constanţa municipality, it is noteworthy that their net turnover slightly decreased (by 0.89%) in 2017, compared to 2016, from an average value of 1,931,420.24 thousand RON in 2016 to an average value of 1,914,261.36 thousand RON in 2017 (Figure 1).

Figure no. 1 Net turnover



Source: Data obtained by processing the information from the financial and accounting balance sheets of active companies in Constanța City

- ✓ The "Gross profit" indicator decreased from the average value of 116492.46 RON in 2016 to 116394.03 RON in 2017, with an index of 99.91%.
- ✓ Regarding the "Operating profit" indicator, the evolution was represented by a decrease of the average values from 137,715.32 RON in 2016 to 133,645.70 RON in 2017, with an index of 97.04%.
- ✓ If the decrease of the "Gross Profit" indicator was almost insignificant, i.e. 0.08%, the decrease by 2.96% of the "Operating Profit" was worrying (Figure 2).
- ✓ The "Average number of employees" indicator of active companies in Constanța decreased from 7.36 employees in 2016 to 7.10 employees in 2017, with an index of 96.47% (Figure 3).

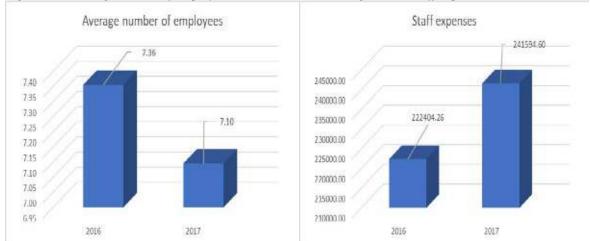
Given the increase of the number of active companies from one year to the next, the reduction of the average number of employees is mainly explained by the fact that in Romania, in general, but also in Constanța municipality, the labor crisis is accentuated. Moreover, it is increasingly difficult for private entrepreneurs to find available labor force in the local community, which they can hire. The exodus of the skilled young labor force from Romania to Western European countries continues, mainly creating real difficulties in the functioning of the Romanian economy. Therefore, in the recent years, there has been an increasing concern to bring to Romania a growing number of skilled workers coming from non-European countries, especially from Asia, to supplement partially this lack of available local labor force.

Figure no. 2 Gross profit Figure no.3 Operating profit Gross profit Operating profit 137715.37 116500.00 138000.00 116480.00 137000.00 133645.70 116460.00 136000.00 116394.03 116440.00 135000.00 134000.00 116400.00 133000.00 116380.00 132000 00 116360.00 116340.00 131000.00

Source: Data obtained by processing the information from the financial and accounting balance sheets of active companies in Constanța City

Figure no.4 Average number of employees

Figure no.5 Staff expenses



Source: Data obtained by processing the information from the financial and accounting balance sheets of active companies in Constanța City

✓ The "Staff Expenses" indicator showed a contrary trend compared to the number of employees. There was an increase in staff expenses from 222,404.26 thousand RON in 2016 to 241,594.60 thousand RON in 2017, which meant an index of 108.62%.

These salary increases are due, in part, to the gradual increase imposed by the Romanian Government on the minimum compulsory salary level (Figure 4).

The analysis of these two indicators shows that while the "Average Number of Employees" dropped at an average annual rate of 3.53%, the "Staff expenses" increased by 8.63% over the analyzed period. The decrease of the number of employees occurred, however, mainly due to the lack of additional persons available for employment.

Figure no. 6 Equity



Source: Data obtained by processing the information from the financial and accounting balance sheets of active companies in Constanța City

A positive evolution is noticed in the other three analyzed indicators.

Thus, the "Equity" indicator increased, on average, from 705,757.43 thousand RON in 2016 to 814,877.89 thousand RON in 2017, which meant an average annual growth rate of 15.46%.

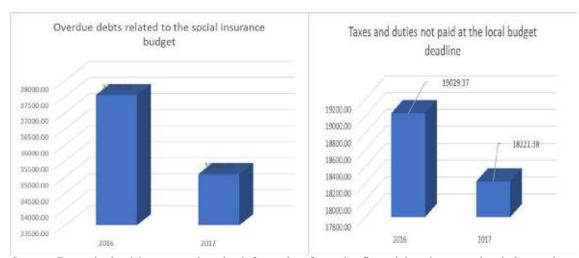


Figure no. 7 no. Overdue debts related to the social Figure no. 8 Taxes and duties not paid at the local insurance budget budget deadline

Source: Data obtained by processing the information from the financial and accounting balance sheets of active companies in Constanța City

- ✓ As regards the "Overdue debts related to the social insurance budget" indicator, it is noticed that from an average value of 37,549.36 thousand RON, registered in 2016, it reached 35,086.46 thousand RON in 2017. This evolution highlights a decline rate of -6.56%.
- ✓ The last analyzed indicator, i.e. "Taxes and duties not paid at the local budget deadline", highlights a decrease from 602.38 thousand RON in 2016 to 452.77 thousand RON in 2017 (Figure no. 8). The evolution of this indicator is also emphasized by the calculated values of the index (75.16%) and decrease rate (-24.84%).

4. Conclusion

The changes in the financial indicators from the financial and accounting balance sheets of the companies in Constanța municipality between 2016 and 2017 show that, at a meso-economic level, the economic activity presents, on the one hand, negative aspects and, on the other hand, positive aspects.

The negative aspects are mainly related to lower revenues. In this regard, we mention the decrease by 0.89% of the "Net Turnover", by 2.96% of the "Operating profit", by 0.08% of the "Gross Profit". Another negative aspect is related to the increase by 8.63% of "Staff Expenditures", while the "Average Number of Employees" decreased by 3.53%.

Among the positive aspects, we mention the increase by 3.85% of the number of companies, accompanied by the increase by 15.46% of "Equity", while "Overdue debts related to the social insurance budget" decreased by -6.56%, and "Taxes and duties not paid at the local budget deadline" decreased by -24.84%.

It can be concluded that the decreasing trend of the indicators related to the debts, taxes and fees paid at (central and local) budgets could reflect the increasingly responsible behavior of most companies in Constanta municipality.

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The Evolution of the Turnover and of the Gross Profit Recorded by Economic Agents in the Main Towns of Constanta County, between 2016 and 2017

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Abstract

Any company is concerned about the size and evolution of its activity in order to take the right decisions on the future orientation of its activity, in correlation with the evolution of the external environment, where it exists and operates. Based on this approach, economic operators calculate different economic indicators, according to the requirements of the national legislation and European directives, whereby they express the volume and in some cases the structure of their economic activity. This study analyzes the size and dynamics of the activity carried out by the economic agents that operated in the main towns of Constanta County, in 2016 and 2017.

This study is particularly important because, by processing a database containing values of several microeconomic indicators, we obtained a dynamic analysis on the evolution of the main economic performances of the companies that operate in the towns of Constanta county, during 2016 – 2017.

Key words: turnover, gross profit, evolution, towns, analyze **J.E.L. classification**: C01, C10,C40, M10, M20, M21, O11, O12

1. Introduction

The study aims to draw attention to the fact that a statistical database on the size of some economic indicators in the years 2016 and 2017, processed with quantitative statistical methods, can provide as a result both quantitative information about the size and the evolution of the economic activity, as well as comparative interpretations only between the cities from Constanta County.

2. Theoretical background

The economic literature states that the purpose of the activity carried out by any economic agent in a market economy is to obtain profit or, in other words to maximize profit. The importance of the profit indicator can be highlighted in several ways. Thus, it is known that the decisions made at the level of economic organizations aim to obtain profit; then establishing / determining / expressing efficiency depends on the profit achieved; the ranking on the market and the image of an economic agent are strongly influenced by its ability to achieve profit, but also by the size of this indicator

3. Research Method

This study is a quantitative analysis of the size and evolution of the "turnover" and "gross profit" indicators, for the period 2016-2017, achieved by the economic agents that operate only in the towns of Constanta County. (Jugănaru,1998; Jugănaru,2000)

The data were selected from a large database, i.e. from 19.125 companies registered in 2016 and 20.029 companies registered in 2017, including a series of economic indicators that companies are required to transmit (Accounting Law no. 82/1991 with subsequent amendments and completions, Official Gazette no. 902/11.12.2014, Matiş., Pop. 2007; OMFP 1802/2014). By processing the data, we determined the average values, the indices and the rhythms of change. (Aivaz.2007, pp. 329; Aivaz.2007, pp. 99). We also used the SPSS statistical software for the analysis (Field, 2009).

4. Data, results and discussion

The first step of the study was made by calculating the average values of the "Net turnover" indicator, recorded in each town in Constanta County in 2016 and 2017. Based on the individual values achieved by each company, the average value of the analyzed indicator was calculated, per each town, for the two years.

Table no. 1 The average value of the "net turnover" indicator, per town, in Constanta County, in 2016 and 2017

Town	Average Net turnover, 2016	No. of companies 2016	Town	Average Net turnover, 2017	No. of companies 2017
Constanta	1.931.420,24	11538	Constanta	1.915.753,87	11972
Cernavoda	1.476.777,04	322	Cernavoda	1.094.443,93	324
Eforie Nord	599.831,81	286	Eforie Nord	658.761,98	297
Eforie Sud	753.080,78	169	Eforie Sud	714.339,25	178
Hârsova	1.633.322,41	135	Hârsova	1.813.006,67	141
Mangalia	3.043.498,81	957	Mangalia	1.757.125,21	991
Medgidia	804.590,92	762	Medgidia	872.400,50	768
Murfatlar	2.384.891,62	134	Murfatlar	2.329.345,31	138
Navodari	13.313.046,10	727	Navodari	14.622.929,19	835
Negru Voda	1.545.126,42	38	Negru Voda	1.349.743,41	39
Baneasa	1.001.992,25	12	Baneasa	928.703,96	23
Ovidiu	1.508.261,73	371	Ovidiu	1.528.854,14	383
Techirghiol	962.402,81	199	Techirghiol	843.632,80	204
TOTAL		15.650	TOTAL		16.293

Source: Author's own processing by SPSS

The data presented in Table 1 show that in 2017, 16.293 companies operated in the analyzed towns, compared to 15.650 in 2016. There is an absolute increase of 643 in the number of companies or a relative increase of 4.11%.

Table no.2 The absolute and relative evolution of the "net turnover" indicator, per town, in Constanta County, between 2016 and 2017

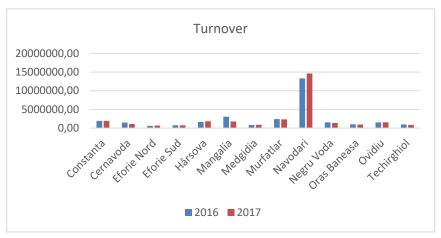
No. crt.	Town	Absolute change Turnover	Index%	Rhythm %
1	Constanta	-15.666,37	99,19	-0,81
2	Cernavoda	-382.333,11	74,11	-25,89
3	Eforie Nord	58.930,17	109,82	9,82
4	Eforie Sud	-38.741,53	94,85	-5,14
5	Hârsova	179.684,25	111,00	11,00
6	Mangalia	-1.286.373,60	57,73	-42,27
7	Medgidia	67.809,58	108,43	8,43

8	Murfatlar	-55.546,31	97,67	-2,33
9	Navodari	1.309.883,10	109,84	9,84
10	Negru Voda	-195.383,01	87,35	-12,65
11	Baneasa	-73.288,29	92,69	-7,31
12	Ovidiu	20.592,41	101,36	1,36
13	Techirghiol	-118.770,01	87,66	-12,34

Source: Author's own processing by SPSS

The data in Table 2 show the absolute and relative values of the changes in the average of the "net turnover" indicator, per town, in Constanta County, between 2016 and 2017. The interpretation of these values allows us to assess the economic activity in each town.

Figure no. 1 The evolution of the "turnover" indicator, between 2016 and 2017, in terms of absolute values



Source: Author's own processing by EXCEL

Afterwards, we calculated the average values of the "gross profit" indicator, per town, in Constanta County, in 2016 and 2017. Further, based on the individual values achieved by each company, we calculated the average value of the analyzed indicator, per town, for the two years.

Table no. 3 Average of the "Gross Profit" indicator, per town, in Constanta County, in 2016 and 2017

Town	Average Gross profit 2016	No. of companies 2016	Town	Average Gross profit 2017	No. of companies 2017
Constanta	116.492,46	11538	Constanta	116.475,82	11971
Baneasa	40.116,92	12	Baneasa	68.209,61	23
Cernavoda	1.028,59	322	Cernavoda	-95.147,03	324
Eforie Nord	88.300,54	286	Eforie Nord	119.892,57	297
Eforie Sud	76.534,75	169	Eforie Sud	77.786,34	178
Hârsova	130.658,90	135	Hârsova	168.965,36	141
Mangalia	-425.403,02	957	Mangalia	227.177,12	991
Medgidia	80.071,10	762	Medgidia	55.240,43	768
Murfatlar	-569.940,87	134	Murfatlar	-248.200,04	138
Navodari	124.885,86	727	Navodari	619.335,60	835
Negru Voda	399.225,47	38	Negru Voda	354.152,44	39
Ovidiu	134.181, 3	371	Ovidiu	100.638,13	383
Techirghiol	60.472,61	199	Techirghiol	47.329,78	204

Source: Author's own processing by SPSS

Table no. 4 The absolute and relative evolution of the "Gross Profit" indicator, per town, in Constanta County between 2016 and 2017

Nr .crt.	Town	Absolute change Gross profit	Index %	Rhythm %
1	Constanta	-16,64	99,99	-0,01
2	Băneasa	28.092,69	170,03	70,03
3	Cernavoda	-96.175,61		
4	Eforie Nord	1.592,03	135,78	35,78
5	Eforie Sud	1.251,59	101,64	1,64
6	Hârsova	38.306,46	129,32	29,32
7	Mangalia	-652.580,14		
8	Medgidia	-24.830,67	68,98	-31,01
9	Murfatlar	-321.740,83	43,55	-56,45
10	Năvodari	494.449,74	495,92	395,92
11	Negru Voda	-45.073,04	88,71	-11,29
12	Ovidiu	-33.543,20	75,00	-25,00
13	Techirghiol	-13.142,83	78.27	-21.73

Source: Author's own processing by SPSS

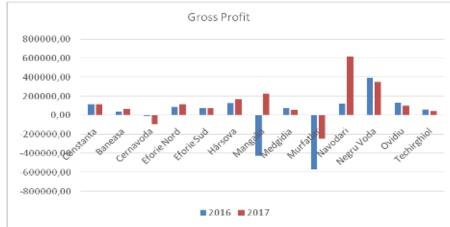
The interpretation of the values calculated and presented in Table 4 – representing the absolute and relative change in the average of the "gross profit" indicator – allows us to assess the evolution of the economic activity in each town.

The data presented in the four tables reflect the evolution of the economic profile of each town, over the analyzed period, considering the two analyzed indicators.

Constanta, the most important city of the county, recorded a decrease of 15.666,37 RON in the absolute value and a decrease of 0.81% in the relative value of the "turnover" indicator. Moreover, as far as the "gross profit" indicator is concerned, it recorded an insignificant decrease of 16,64 RON in absolute value and of -0,01% in relative value. It is noteworthy that over the analyzed period, the number of companies increased from 11.538 (in 2016) to 11.972 (in 2017).

Cernavoda recorded a decrease of 382.333,11 RON in the absolute value and of 25,89% in the relative value of the "turnover" indicator, as well as a decrease of 96.175,61 RON in the "gross profit" indicator; over the analyzed period, the number of companies increased from 322 (in 2016) to 324 (in 2017).

Figure no.2 The evolution of the "gross profit" indicator, between 2016 and 2017, in terms of absolute value



Source: Author's own processing by EXCEL

Eforie Nord recorded an increase of 58.930,17 RON in the absolute value and of 9,82% in the relative value of the "turnover" indicator. Moreover, as far as the "gross profit" indicator is concerned, it also recorded an increase of 1.592,03 in absolute value and of 35.78% in relative value. Over the analyzed period, the number of companies increased from 286 (in 2016) to 297 (in 2017).

Eforie Sud recorded a decrease of 38.741,53 RON in the absolute value and of 5,14% in the relative value of the "turnover" indicator, while the "gross profit" indicator increased by 1.251,59 in absolute value and by 1,64% in relative value. Over the analyzed period, the number of companies increased from 169 (in 2016) to 178 (in 2017).

Harsova recorded an increase of 179.684,25 RON in the absolute value and of 11.00% in the relative value of the "turnover" indicator. Increases of 38.306,46 in the absolute value and of 9.32% in the relative value of the "gross profit" indicator were also recorded. Over the analyzed period, the number of companies increased from 135 (in 2016) to 141 (in 2017).

Mangalia recorded decreases in both the "turnover" indicator, i.e. 1.286.373,60 RON in absolute value and 42,27% in relative value; the "gross profit" indicator also recorded a decrease of 652.580,14 in absolute value; the number of companies increased from 957 (in 2016) to 991 (in 2017).

Medgidia recorded, on the one hand, an increase of 67.809,58 RON in absolute value and of 8,43% in relative value, as far as the "turnover" indicator is concerned. On the other hand, there was recorded a decrease of 24.830,67 RON in the absolute value and of 31,01% in the relative value of the "gross profit" indicator. These changes occurred given the fact that, over the analyzed period, the number of companies increased from 762 (in 2016) to 768 (in 2017).

Murfatlar recorded decreases in both the "turnover" indicator, i.e. 55.546,31 RON in absolute value and 2,33% in relative value, as well in the "gross profit" indicator, i.e. 321.740,83 RON in absolute value and 56.45% in relative value. It is noteworthy that over the analyzed period, the number of companies increased from 134 (in 2016) to 138 (in 2017).

Năvodari recorded increases both in the "turnover" indicator (195.383,01 RON in absolute value and 9,84% in relative value), as well as in the "gross profit" indicator (494.449,74 in absolute value and 395,92% in relative value). Over the analyzed period, the number of companies increased from 727 (in 2016) to 835 (in 2017).

Negru Voda recorded decreases in both the "turnover" indicator, i.e. 195.383,01 RON in absolute value and 12,65% in relative value, and in the "gross profit" indicator, i.e. 45.073,04 in absolute value and 11,29 % in relative value. Over the analyzed period, the number of companies increased from 38 (in 2016) to 39 (in 2017).

Baneasa recorded, on the one hand, a decrease of 73.288,29 RON in the absolute value and of 7,31% in the relative value of the "turnover" indicator. On the other hand, it recorded a remarkable increase in the "gross profit" indicator, i.e. 28.092,69 in absolute value and 70,03% in relative value, given that the number of companies increased from 12 (in 2016) to 23 (in 2017) over the analyzed period.

Ovidiu recorded, on the one hand, an increase in the "turnover" indicator, i.e. 20.592,41 RON in absolute value and of 1.36% in relative value. On the other hand, it recorded a decrease of 33.543,20 in the absolute value and of 25,00% in the relative value of the "gross profit" indicator. Over the analyzed period, the number of companies increased from 371 (in 2016) to 383 (in 2017).

Techirghiol recorded decreases in both the "turnover" indicator, i.e. 118.770,01 RON in absolute value and 12,34% in relative value, as well as in the "gross profit" indicator, i.e. 13.142,83 in absolute value and 21,73% in relative value. Over the analyzed period, the number of companies increased from 199 (in 2016) to 204 (in 2017).

5. Conclusions

The results obtained by processing the database allowed the elaboration of a presentation on the evolution of the main indicators of the financial results, obtained by the active companies in the towns of Constanta county, without questioning the causes that triggered the changes of the two analyzed indicators, i.e. "turnover" and "gross profit". We should also specify that the towns selected and analyzed in this study are different in terms of size, number of inhabitants, number of

companies, their field of activity and other aspects. Even under these conditions, it is noteworthy that Navodari recorded the highest increases, respectively of 1.309.883,10 RON in the "turnover" indicator and of 494.449,74 RON in the "gross profit" indicator. As far as Mangalia is concerned, it recorded the largest decreases, i.e. 1.286.373,60 lei in the "turnover" indicator and 652.580,14 in the "gross profit" indicator. Several towns (Constanța, Cenavodă, Murfaltar, Negru Voda, Techirghiol) recorded decreases in the values of the two indicators, but only two towns (Eforie Nord and Hârșova) registered increases in the values of the two indicators. A particular situation is represented by Medgidia and Ovidiu, which recorded increases in the "turnover" indicator and decreases in the "gross profit"indicator. At the same time, Baneasa and Eforie Sud recorded decreases in their turnover and increases in their gross profit.

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Aspects Regarding the Evolution of the Main Financial Indicators in the Financial and Accounting Balance Sheets of the Companies in Constanta County

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Abstract

The economic activity carried out in Constanta County is the expression of the efforts made by the companies operating in this administrative unit, as well as of many external factors, able to generate a favorable or unfavorable conjuncture for the business environment.

This study includes a meso-economic analysis of the evolution of the economic activity between 2016 and 2017, based on the main financial indicators from the accounting and financial balance sheets of companies in Constanta County.

The data were processed by the SPSS statistical software and by quantitative statistical methods. The interpretation of the results provided the support in order to present significant aspects of the economic activity in Constanta County during the two analyzed years, i.e. 2016 and 2017, and to highlight the evolution recorded over this period, without identifying and explaining the factors/ causes that determined this evolution.

Key words: balance sheets, indicators, companies, evolution, county **J.E.L classification**: C10, C40, M10, M20, M21, O11, O12

1. Introduction

The main objective of this study is to carry out an analysis on the economic activity, in a static and dynamic profile, at the level of Constanta County, by processing certain financial indicators from the financial and accounting balances of the companies in this county, between 2016-2017.

2. Theoretical background

Highlighting the level of economic development, its trends and the way in which the resources of a national economy are used require the measurement of the results entailed by the economic activity. The legal framework in Romania, established by the Accounting Law no. 82/1991, as subsequently amended and supplemented (Official Gazette no. 902 of December 11, 2014), states:

"Accounting, as an activity specialized in the measurement, assessment, knowledge, management and control of assets, debts and ownership equity, as well as the results entailed by the activity of the legal and natural persons stipulated in art. 1 must ensure a timely and systematic recording, processing, disclosure and storage of information on the financial situation, financial performance and cash flows, both for their internal requirements and for dealing with existing and potential investors, financial and commercial creditors, public institutions and other users" (Accounting Law No. 82/1991, Official Gazette no. 902/11, December 2014; Matiş.; Pop. 2007)

The main objective of financial statements is to provide information on the financial situation of a company operating on the Romanian territory and subordinated to Romanian laws. At the same time, Order no. 1802/2014 for the approval of Accounting Regulations on annual individual financial statements and annual consolidated financial statements stipulates that "Annual financial statements are clearly drafted" (according to the legislative framework) and "they must provide a true and fair view of the assets, debts, financial situation and profit or loss of the entity". It is

considered that this information may be necessary for the users of financial statements in order to estimate the future cash flows of the company and their degree of certainty.

3. Research method

In order to achieve the proposed objective, we have performed a quantitative research of static and dynamic profile on the size and evolution of some financial indicators from the financial and accounting balance sheets of companies in Constanta County, between 2016 and 2017. (Jugănaru, 1998; Jugănaru, 2000)

The data were processed by the SPSS statistical software (Field, 2009) and by several quantitative statistical indicators, i.e. average values, indices and rates of change (Aivaz K., 2007, p., 329; Aivaz K., 2007, p. 99).

The quantitative data used in this study were selected from a large database, represented by the financial and accounting balance sheets submitted by taxpayers at the end of 2016 and 2017, respectively.

The selected and used indicators are: "Net turnover", "Operating profit", "Staff expenses", "Gross profit", "Equity", "Expenses with other taxes, fees and similar payments", "Average number of employees"," Overdue debts related to the social insurance budget", "Taxes and duties not paid at the local budget deadline".

4. Data, results and discussion

We started from the absolute values of the financial indicators from the financial and accounting balance sheets of companies in Constanta County and we calculated, on the one hand, their average values, recorded in 2016 and 2017, and, on the other hand, we calculated the indices and rates of change in order to highlight their evolution. The results entailed by the calculation of statistical indicators, i.e. average values, indices and rates of change, are shown in the following table.

Table no. 1 Average values and evolution of the main financial indicators from the financial and accounting balance sheets of companies in Constanta County, between 2016 and 2017

Balance Sheet indicator	2016	2017	Absolute change	Index%	Rate %
1. Net turnover	2.174.994,2	2.190.522,8	15.528,6	100,71	0,71
2.Operating profit	118.889,78	117.485,59	-1.404,19	98,82	-1,18
3. Staff expenses	209.122,38	218.882,2	9.759,82	104,67	4,67
4. Gross profit	73.956,52	125.031,59	51.075,07	169,06	69,06
5.Equity	506.031,17	647.530,1	141.498,93	127,96	27,96
6. Expenses with other taxes, fees and similar payments	18.940,85	17.189,24	-1.751,61	90,75	-9,25
7. Average number of employees	7,13	6,72	-0,41	94,25	-5,75
8. Overdue debts related to the social insurance budget	35.107,95	33.552,69	-1.555,26	95,57	-4,4
9. Taxes and duties not paid at the local budget deadline	959,2	718,01	-241,19	74,85509	-25,1449
Total assets	2.509.569,1	2.497.966,3	-11602,8	99,53766	-0,46234

Source: Data obtained by processing the information from the financial and accounting balance sheets of active companies in Constanta County

The data shown in Table 1 refer to the average values calculated for each balance indicator (expressed in currency (RON) and number of persons) for 2016 and 2017, as well as for their change, calculated and expressed both in absolute and relative values.

This table shows the situation and evolution of the economic activity of the companies in Constanta County over the analyzed period, based on the main financial indicators in the financial and accounting balance sheets of active companies in Constanta County (those with turnover higher than zero and at least one employee).

- ✓ **The net turnover** increased by 15.528,6 RON, which represents a growth rate of 0,71% per annum.
 - ✓ **The operating profit** decreased by 1.404,19 thousand RON, the decrease rate being 1,18%.

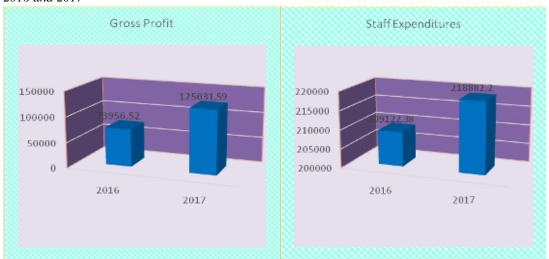
Figure no. 1 Evolution of Turnover and Operating Profit at companies in Constanta County, in 2016 and 2017



Source: Data obtained by processing the information from the financial and accounting balance sheets of active companies in Constanta County

- ✓ **The Gross profit** increased by 51.075,07 thousand RON in absolute value, and by 69,06% in relative value.
- ✓ **Staff expenditures** increased by 9.759,82 thousand RON in absolute value, and by 4,67% in relative value.

Figure no. 2. Evolution of Gross Profit and Staff Expenditures at companies in Constanta County, in 2016 and 2017



Source: Data obtained by processing the information from the financial and accounting balance sheets of active companies in Constanta County

- ✓ The average number of employees decreased by 0,41 persons, recording a decrease of 5,75%
- ✓ **The Equity** increased at a rate of 27,96%, which in absolute value amounted to 141.498,93 thousand RON

Figure no.3. Evolution of Average number of employees and Equity at companies in Constanta County, in 2016 and 2017



Source: Data obtained by processing the information from the financial and accounting balance sheets of active companies in Constanta County

- ✓ The Expenses with other taxes, fees and similar payments decreased by 9,25%, or by 1,751.61 mil. RON
- \checkmark Overdue debts related to the social insurance budget decreased by 4,4% and 1,555.26 mil. RON

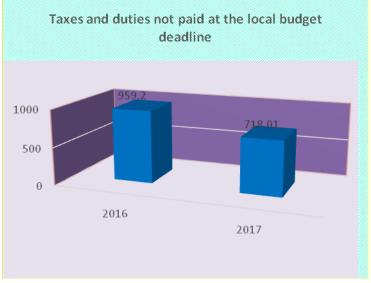
Figure no. 4. Evolution of Expenses with other taxes, fees and similar payments and Overdue debts related to the social insurance budget at companies in Constanta County, in 2016 and 2017



Source: Data obtained by processing the information from the financial and accounting balance sheets of active companies in Constanta County

✓ **Taxes and duties not paid at the local budget deadline** decreased at the significant rate of 25,14%; in absolute value, the decrease was of 241,19 mil. RON.

Figure no.5. Evolution of Taxes and duties not paid at the local budget deadline at companies in Constanta County, in 2016 and 2017



Source: Data obtained by processing the information from the financial and accounting balance sheets of active companies in Constanta County

5. Conclusion

The physical and value assessment (in a static and dynamic profile) of the economic and financial results obtained by the economic agents is an essential preoccupation for the measurement of their own performance, for the substantiation of decisions aimed at guiding the activity on different time horizons, at micro, mesoeconomic and macroeconomic levels.

The existence/ availability of information on the value of some financial indicators published in the financial and accounting balance sheets of companies in Constanta County was an opportunity to carry out a quantitative analysis of the situation of the entire economic activity carried out in this county. The local and national business environment can capitalize the results obtained in this study.

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Choice of Accounting Policies on Borrowing Cost in View on IAS 23 "Borrowing Costs"

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Abstract

The phenomenon of globalization has generated in national accounts, processes such as harmonization, convergence and accounting normalization precisely in order to achieve a common language regarding the presentation of the annual financial statements of the companies. In Romania, taking over the international referential has been achieved gradually, the process is still ongoing. Under these circumstances, the present research aims to go through the international referential regarding the borrowing costs of fixed assets and to establish, where appropriate, the elements taken over by the Romanian regulatory in the national accounting practice.

Key words: Borrowing costs, the qualifying assets, the capitalization process, general borrowings,

special borrowings.

J.E.L. classification: M41

1. Introduction

The most relevant options of accounting policies with effects on the recognition value of fixed assets are: the choice between one or another depreciation method, the establishment of the amortizable value known as the fact that the Romanian practice does not recognize the residual value, the model of the useful life – is free in for the international referential version, respectively is normalized in Romanian version, the option between keeping the historical cost or revaluing fixed assets, for instance, treating the borrowing cost directly attributable to the realization of a long-term asset between capitalization and its recognition as an expense. Due to the fact that the consequences of capitalizing interest directly attributable to the realization of a long-term asset have implications not only on the measure of that asset and its depreciable amount, but may also lead to reshaping of the useful life and the depreciation method, we have proposed to gradually review the accounting treatment applicable to borrowing costs under IAS 23 "Borrowing Costs".

2. Theoretical background

International reference IAS 23 is addressed to the issue of interest costs that can be incorporated into the value of long-run assets. Incorporation of these costs is conditioned by their direct attribution to the asset, otherwise they will affect the cost of the period. The beginning of the capitalization period implies fulfilling three conditions, as follows: a) expenditure on the asset is carried out; b) borrowing costs are generated; c) the activities necessary for the realization of the asset have been started. Asset realization activities involve more than the physical construction of the asset, for example, obtaining building permits prior to the actual start of the building works.

The capitalization method differs as borrowed funds are of a general nature or, on the contrary, contracted specifically for the realization of the long-run asset. The interest that will be capitalized in the case of general loans is obtained by applying a capitalization rate to the costs generated by obtaining the asset. The capitalization rate is "the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than

borrowings made specifically for the purpose of obtaining a qualifying asset" (IAS 23, paragraph 14).

For loans specifically contracted to finance long-term assets, capitalized interest is obtained as the difference between interest costs over the life of the asset and any income arising from the placement of surplus lent and unused funds at a time t.

According to IAS, interest costs are suspended during long periods of discontinuation and capitalization ceases when most of the costs of bringing the asset to the state of use or sale have been made.

The Romanian normalizer, through OMFP no. 1.802/2014, takes over Article 80, the concepts and techniques of IAS 23 "Borrowing Costs". It is mentioned in Article 80, paragraph (3) "a long-term asset is the one that necessarily requires a substantial period of time to be ready for its intended use or for sale". It also states that "the borrowing costs attributable to long-run assets are included in their production costs to the extent that they relate to the production period. Borrowing costs include interest on borrowed capital to finance the acquisition, construction or production of long-cycle assets "(Article 80, paragraph 1). However, as no distinction is made between funds lent specifically for financing long-term assets and those borrowed in a general manner but used to obtain assets, we will approach within this article the treatment of interest expenses in vision of IAS 23, "Borrowing Costs".

3. Methodology

The research is an explanatory one and seeks to capture the current situation in international accounting with regard to the treatment of interest costs. Attempting to highlight the similarities found between the international and the Romanian reference in force - OMFP no. 1.802/2014, it can be admitted that the research is also a comparative one.

4. Findings

To capture the treatment applicable to borrowing costs in IAS 23, we present the following case studies:

Example no. 1: A company has made the following special loans to finance the construction of a building in period 2017 - 2018:

- ✓ 250.000 lei in previous period with an interest rate of 9%;
- ✓ in 01.04.2017 the construction of the building started and from the previous loan 90.000 lei were not reimbursed;
- ✓ in 01.09.2017 first invoice issued by the builder of 90.000 lei is paid;
- ✓ in 01.01.2018 a bank loan is also contracted, in the amount of 170.000 lei with an interest rate of 8% per year. The amounts is not used immediately and was recorded in a bank deposit with an interest rate of 5.2% per year;
- ✓ at 01.03.2018 an invoice of 100.000 lei is paid from bank deposit;
- ✓ in 01.10.2018 another invoice of 60.000 lei is paid and building period is suspended for 4 month. After this period the building activity starts again and construction of the hall is finished.

You are required to highlight in the accounting the records relating to year 2017 and 2018.

Solution:

A. Accounting records for 2017

Capitalization of interest costs for the period 01.09.2017 - 31.12.2017 (the capitalization starts when the expenses for the respective asset are covered, for instance when the first invoice is paid).

Borrowing costs are calculated for the part of the outstanding loan:

90.000 lei x 9% x 4/12 = 2.700 lei

1.1) Recognition for the interest expenses

666 = 1682 2.700
Interest charges Interest on long term bank loans

1.2) Capitalization of borrowing costs 722 2.700 231 Tangible fixed assets in Income from production of progress tangible fixed assets 1.3) Expenses recognition for the months prior to the first payment (01.01.2017 – 31.08.2017) $90.000 \text{ lei } \times 9\% \times 8/12 = 5.400 \text{ lei}$ 666 1682 5.400 Interest on long term bank loan Interest charges B. Accounting records for year 2018 1) Recording the new loan 5121 1621 170.000 Bank accounts in lei Long term bank loans 2) Deposit's creation 2678 5121 170.000 Other fixed trades Bank accounts 3) Capitalization of interest costs for a period of 01.01.2018–30.09.2018 (capitalization ceases during periods of activity interruption) Cost capitalization for old loans: $90.000 \times 9\% \times 9/12 = 6.075$ lei Cost capitalization for new loan: $170.000 \times 8\% \times 9/12 = 10.200 \text{ lei}$ Total capitalization cost 6.291 + 10.200 = 16.275 lei 3.1) Recognition of borrowing costs 666 1682 16.275 Interest charges Interest on long term bank loan 3.2.) Capitalization of interest costs 231 722 16.275 Tangible fixed assets in Income from production of progress tangible fixed assets 4) Reduction the borrowing costs with interest income on bank deposit Interest income for $01.01.2018 - 01.03.2018 170.000 \times 5,2\% \times 2/12 = 1.473$ Interest income for 01.03.2018 - 30.09.2018 (170.000 - 100.000) x 5,2% x 7/12 = 2.123Total interest during capitalization period 1.473 + 2.123 = 3.596 lei 4.1) Recognition of income interests 2679 766 3.596 Interests on other non-Interest income current receivable 4.2) Reducing of capitalized borrowing costs (3.596)722 Tangible fixed assets under Income from production of construction tangible fixed assets 5) Expenses recognition in the period 01.10.2018–31.12.2018 Old Ioan: 90.000 lei x 9% x 3/12 = 2.025 lei New loan: 170.000 lei x 8% x 3/12 = 3.400 lei Total costs recognition of the charges for this period 2.025 + 3.400 = 5.425 lei 1682 5.425 Interest charges Interest on long term loans

Example no. 2: At the beginning of 2018 S.C. Alfa S.A. has made the following general loans:

- a) long-term bank loan of 350,000 lei with an interest rate of 8% for the construction of a building;
- b) a bank loan amounting to 190.000 lei with an interest rate of 8% for the construction of a production hall;
- c) a bank loan in the amount of 80.000 lei with an interest rate of 7% for the construction of a production hall.
- S.C. Alfa S.A. uses the sum of 160.000 lei for the construction of the production hall on February 1st, 2018, and the amount of 70.000 lei on September 1st, 2018. What are the interest costs that will be capitalized for the construction of the production hall?

Solution:

As the loan of 350.000 lei having an interest of 8% concerns the construction of another asset than the production hall, it will not enter into our sphere of interest.

The capitalization rate for the other 2 loans is calculated as follows:

 $190.000 \times 8\% / (190.000 + 80.000) + 80.000 \times 7\% / (190.000 + 80.000) = 5,629\% + 2,074\% = 7,70\%$

The capitalized interest costs for the construction of the production hall:

 $160.000 \times 7.70\% \times 11/12 + 70.000 \times 7.70\% \times 4/12 = 11.293 \text{ lei} + 1.797 \text{ lei} = 13.090 \text{ lei}$

5. Conclusions

The international reference addresses differently to the interest costs capitalized with the value of long-cycle assets. If for loans specifically contracted to finance such assets the interests that can be capitalized are obtained as a difference between the current interest costs and the incomes obtained from the placement of the unused amounts in bank deposits, for the general loans the interests included in the value of the assets are obtained by applying the rate of capitalization of credit amounts used.

Although the Romanian reference has taken over some of the international concepts and techniques regarding the borrowing costs – defining long-term assets and specifying when the interest capitalization should cease (Article 80 paragraphs 1-6 of OMFP no.1802/2014), as nothing is said about the capitalization of interest in the two situations – by resorting to special loans for the construction of assets or, on the contrary, to general loans, and here different practices of calculating the capitalized interest, we will consider that the only similarities between the two referential are just those mentioned above.

6. References

- IAS 23 "Borrowing costs", Annual Improvements to IFRS Standards 2015 2017 Cycle;
- OMFP no. 1802/2014 for the approval of the Accounting Regulations on the individual annual financial statements and the consolidated annual financial statements, Official Gazette no. 963/2014.

The Reform of the Romanian Accounting System – between the Need and Reality of the Process

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Abstract

The Romanian's account modernization process began long ago, somewhere around 2000 under the conditions of Romania's pre-accession to the European Union. The present article aims to analyze the approach taken by highlighting the main evolutionary stages from the harmonization and convergence of Romanian accounting to its normalization and standardization.

Key words: International Financial Reporting Standards, the globalization process, the accounting normalization, the convergence process, the Romanian accounting regulations.

J.E.L. classification: M41

1. Introduction

Differences in accounting systems being known both at European and global level, in order to ensure an efficient exchange of financial data, there was a need for an accessible and identical accounting structure for everybody in the accounting world. The phenomenon of globalization, characterized by a movement of international capital and a new configuration of global economic relations, has led to a process of compatibility of national accounting systems. And, although progress has been made lately in terms of the rapprochement between the European and American accounting systems, the process is still at the beginning. At a closer look, we can see that the two IASB and FASB normalizers have so far regulated only the cost of inventories, the accounting treatment of asset exchanges, changes in accounting policies and the determination of earnings per share. But as the process is open, we will follow the continuity of the process.

2. Theoretical background: The need of harmonization, convergence and normalization of national accounts

In the context of globalization, in order to efficiently exchange financial data, accounting has recorded new valences and changing orientation and continuous improvement delimited in 3 main directions (Mates, Șteț & Szabo, 2006, p. 1):

- meeting the multinational companies needs of information;
- validation of accounting information within the national accounting system;
- setting a system of unitary financial indicators at international level to be followed by all states.

The change and improvement of the accounting involved the steps of harmonization convergence and account's normalization.

As a process, *harmonization* consists in improvement of rules, norms, techniques and accounting terminology so they become compatible and comparable to give the same interpretation of events and accounting transactions.

Accounting convergence is aiming identifying quasi-general objectives that both companies and accountants around the world can pursue in compiling and presenting information within the set of financial statements, without the convergence process to impose treatments, rules and procedures to implement final product - annual financial statements. The process of accounting convergence

serves information users in the following order of priority: current and potential investors, employees, financial creditors, suppliers, customers, government and its institutions, citizens.

Accounting normalization is the process where the presentation of synthesis documents, accounting methods and terminology is harmonized (Feleagă, 1999). Normalization as a process is manifested in the wide majority of countries of the world and consists in elaboration of the rules and the application of norms to harmonize working methods, accounting terminology and the way of presenting synthetic documents. The objectives of this approach are concentrated in the following (Feleagă, 1999, p. 179):

- ensuring the regulation of accounting practices with a direct impact on the improvement of accounting;
 - the ability of information users to make rational decisions based on accounting information;
 - creating a climate of confidence between the capital owners and the business administrators;
- mediating between the different parties involved in economic life and in particular, between producers of accounting information and auditors that certify the quality of information ensuring its social credibility;
 - granting a certain protection to the auditor by limiting his responsibilities;
 - consolidation of accounting information at the level of the groups of companies;
 - ensuring the development of national statistics.

Depending on the scope of application, accounting normalization may be: international, regional/continental, national, or company level. The international standardization regulation has been entrusted to the International Accounting Standards Board (IASB), which has developed and published global financial reporting standards, the observance and application of which allows for the preparation of relevant, timely, credible and transparent annual financial statements. On a regional/continental level within the European Union, normalization has been achieved through the issuance of European Accounting Directives applicable by all Member States. At national level, accounting normalization can be entrusted to state institutions, professional organizations, or both.

In Romania, accounting normalization was entrusted to a public authority, the Ministry of Public Finance. This, based on a conceptual framework of accounting and a general accounts plan, has adopted regulations that, together with the accounting doctrine, have grounded Romanian accounting law. The three processes - normalization, convergence and accounting normalization are found in the Romanian accounting practice in five normative acts, the first two aims at the harmonization of the Romanian accounting with the international one, the following three aims the approach of the convergence of accounting as follows:

- OMFP no. 94/2001 for the approval of Accounting Regulations harmonized with the Fourth Directive of the European Economic Communities and the International Accounting Standards, Official Gazette no. 85/2001;
- OMFP no. 306/2002 for the approval of the Simplified Accounting Regulations, harmonized with the European Directives, Official Gazette no. 279 bis/2002;
- OMFP no. 1752/2005 for the approval of Accounting Regulations in compliance with the European Directives, Official Gazette no. 1080 bis/2005;
- OMFP no. 3055/2009 for the approval of Accounting Regulations in compliance with the European Directives, Official Gazette no. 766 bis/2009;
- OMFP no. 1802/2014 for the approval of the Accounting Regulations on the individual annual financial statements and the consolidated annual financial statements, Official Gazette no. 963/2014

Normalization is generally associated and sometimes confused with standardization, since both use conventions/principles and methods recognized and accepted by accounting theory and practice, the difference being determined by various levels of importance given to certain accounting components. We will approach next the reform recorded by Romanian accounting after 2000.

3. Reality of Romanian accounting reform during 2000 - 2014

After 2000, when Romania was preparing to join the European Union, it was necessary to switch to a new accounting system of Anglo - Saxon origin. The old system and the French inspirational reform initiated after 1989 did not longer corresponded to the Romanian realities. The strong interference of taxation in the accounting regulations (King et al., 2001), that belonged to a period between 1991 and 2000, called for a more relaxed relationship in the light of the new Anglo - Saxon reform. In addition, the annual financial statements of Romanian companies had to be harmonized with IAS stipulations.

However, after 2000, the level of compliance to the IAS of the financial statements elaborated respecting the national regulations was low (World Bank, 2003); and this was so because two sets of regulations were emitted: the first, with strong IAS/IFRS influences, applicable to the listed companies on the Bucharest Stock Exchange (OMFP no. 94/2001), the second, harmonized with the European Directives (OMFP no. 306/2002) for simplified financial statements. The low level of application of the regulations with IAS/IFRS influences (only 20 national companies, 72 trading companies listed on the Bucharest Stock Exchange, and 105 trading companies listed on the RASDAQ market were included in the sample of application of the order OMFP no. 94/2001), the strong influence of taxation manifested in the accounting practice of the entities elaborating simplified financial statements, according to OMFP no. 306/2002, poorly trained accounting professionals but also the low pressure exerted by users are just as many institutional factor that created difficulties in the adoption of IFRS, according to some previous studies on this matter (Ionașcu et al., 2011, p. 33; Albu & Albu, 2012, p. 345).

The preparation of the adhesion to the EU initiated another stage in the reform of the Romanian accounting by the emission of new regulations, in agreement with the European Directives (OMFP 1.752/2005). However, a series of IFRS influences have been preserved, even though the normative act was translating European Directives. Later on, the Romanian norm-provider considered that OMFP 1.752/2005 calls for supplementary rule, but also for some clarifications, so it was replaced by OMFP 3.055/2009, the changes brought being according to IFRS. Consequently, Romania is undergoing a process of convergence with IFRS, in the framework of its national accounting regulations. The convergence process is still going on, because OMFP 1.802/2014 follows the same line – conformity to the European Directives, yet with IFRS influences (Albu & Pălărie, 2016, p. 636).

During the period 2006-2014, the most important benefits brought by the process of compliance of the Romanian regulations with IFRS, from the perspective of the account preparers are: the possibility to use the fair value, the increase in accounting quality, but also a greater relevance of the information for its users (Albu & Albu, 2012, p. 346; Gîrbină et al., 2012, p. 193; Sacarin et al., 2013, p. 416), and last but not least, the possibility to access to the lower cost of financing (Sacarin et al., 2013, p. 417).

Regarding the pieces of information generated by the set of financial statements and the users of these pieces of information, the issue is very complex, at least from the next perspectives:

- while in some European jurisdictions, for example in France, the information provided by accounting is considered useful to all the financial statement users, in the Anglo-Saxon area, and according to the vision of IFRS, the investors/creditors of capital are the main information users. In The Romanian area, in the context of a poor development of the Bucharest Stock Exchange, the investors/creditors of capital do not hold the place and do not exert their adequate role;
- from the multitude of users of the Romanian individual financial statements, agreed by IFRS and taken over by the local norms (investors and creditors, managers, trading partners, State, employees, great public, diverse analysts, etc.), the main accounting information beneficiary is the State, directly interested in collecting fees and taxes to support the budget with continually increasing needs/expenses to cover; Under these circumstances, the State, by the Public Finances Ministry the main regulator, permitted a series of interventions of the fiscal rules in the national regulations, limiting the capacity of the accounting professionals of applying the professional reasoning/accounting estimates in the elaboration and presentation of financial statements. Regulations (how they are issued, MFP's expectations for compliance with rules, and how they are applied) are considered the main culprits for this situation. Preparers are influenced by tax

reporting issues (World Bank, 2008). Moreover, in small and medium-sized entities, the accounting professionals are not perceived as part of the business environment, but rather as residual elements of it, with preoccupations in the sphere of the fiscal problems, such as: tax payment, declarations elaboration, etc.;

• it is acknowledged that users prefer IFRS financial statements when making decisions (World Bank, 2008). For the entities listed at the Bucharest Stock Exchange, whose financial reports are realized according to the provisions of IFRS (OMFP 1.286/2012), the approach is one based on the information taken over from the financial statements, sufficient and pertinent for the investors' decision-making. The situation becomes more complex in the case of the small entities, where the information quality depends on the accounting professionals elaborating it. In the latter case, the capital providers agree that the information provided by the financial statements is insufficient to make decisions, so they will call for supplementary elements such as business plans, budgets, information on the business environment where the entity operates, etc.

4. Instead of conclusions ...

The Romanian accounting reform has gone through the harmonization stage, currently being in the process of convergence with IFRS. Indeed OMFP no. 1.802 / 2014 takes over the syntagms and concepts of IFRS at the level of theory, but the Romanian accounting practice has many stages to cover until we can declare that it complies with IFRS. We can mention at least the following situations:

- accounting estimations as a process may require revisions when changes occur in the circumstances on which the estimate was based, as a result of new information or better experience. As our professional accountants are looked upon as residual business items, they are not allowed to apply the estimation approach to accounting;
- accounting policies require revisions/modifications when the change results in financial statements that provide reliable and relevant information about the effects of transactions and events on the entity's financial position, financial performance or cash flows. An accounting policy review is therefore the entity's decision in the context of IFRS. Although OMFP no. 1.802 / 2014 in paragraph 62 (1) a) assumes the concept of the free review of accounting policies, at the initiative of the entity, however, in paragraph 62 (1) b add: "Changes in accounting policies may be determined by a decision of a competent authority and imposed on the entity (regulatory change)." As the Romanian regulator the Ministry of Public Finance has added this clarification, few professional accountants will be left to the management to apply the amendment to point a);
- shaping of the fair value is the privilege of the accounting specialists and requires estimations, respectively the application of the professional reasoning in the three evaluation stages/recognition criteria. If the first criterion is based on the price of an irrevocable sale contract within transaction that occurs on objectives conditions, on the market, for those assets traded on the market but for which there are no firm sell commitments, things are becoming complicated. For the latter actives, for the purpose of estimating the fair value, the starting point is the price of the most recent transaction, under the condition that no significant change in the economic environment between the transaction date and the estimated date has occurred. On the third stage, when we do not have a firm sale contract or information on the price of the most recent transaction, shaping the fair value is done through the sales comparison method. This technique determines the value of an immobilized asset by comparison with an identical replacement that has a known selling price, corrections being made based on the differences between their essential characteristics. The method is a complex one, since the price of the immobilized asset analyzed is obtained after applying some plus or minus corrections to the price of the comparable immobilized asset. In view of the above, the question arises: will it allow the accountant's management to model fair value or will appeal to professional assessors such as OMFP no. 1.802/2014 specifies at art. 102:,, Reevaluation of tangible assets is carried out at the fair value of the balance sheet's date. The fair value is determined on the basis of evaluations usually carried out by authorized assessors, according to the law?"

Under these circumstances can we talk about professional reasoning and its application by Romanian accounting specialists in line with IFRS assurances? Did not we have just taken over some provisions of international scriptural norms that we do not actually apply in accounting practice? This remains to be seen

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Accounting Disclosure and Stock Market Reaction. Empirical Analysis on Bucharest Stock Exchange

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Abstract

The paper provides new evidence in what concerns the stock market reaction to preliminary and final corporate accounting disclosure, with application on the Romanian capital market, Bucharest Stock Exchange (BSE). Using GARCH methodology, our results are similar with the results of the previous empirical literature that proved that the accounting information brings new and relevant information for the investors and highlight in the same time the importance of disclosure regulation for the development of stock markets.

Key words: stock market, BSE, disclosure, accounting information, Garch

J.E.L. classification: G10, G14

1. Introduction

The main body of literature that has approached the value relevance research and has empirically related the accounting information and financial statements disclosure with the dynamics of stock prices or stock returns started from the premise that rationale investors should use the information provided in the accounting statements for making informed decisions, affecting the stock prices. In other words, if accounting information proves to be useful for the investors, then a proper market reaction should appear, in accordance with the efficient market theory, underlying the economic value of a company.

Throughout the time, empirical studies have pointed out the explanatory power of accounting variables under different accounting regimes or the relevance and reliability of accounting data in capturing information that should be visible in the market value of the company. We can observe however that within literature there are less discussed econometric event studies where the focus is on the disclosure time of financial statements, the time lag influencing the market values of shares and the market reaction determined by the disclosure of the financial statements. Empirical findings on the market reaction to accounting information provided by the accounting disclosure are contradictory. The paper contributes to the previous literature by analysing the intensity of the market reaction to both preliminary and final financial statements of the fiscal year, which to our best of knowledge, has never been analysed taking into consideration the Romanian stock market.

2. Theoretical background

The majority of the empirical studies agree on the increased transparency of the companies listed on the stock exchange as an efficient way of reducing information asymmetry and consequently lowering the cost of debt and equity, increasing in the same time stock market liquidity (Diamond and Verrechia, 1991; Healy and Palepu, 2001; Botosan and Plumlee, 2002; Brunnermaier and Peterson 2009; Lang and Maffett, 2010). The negative relation found in

literature between firm disclosure and market volatility can be explained, nevertheless, by the positive effect that disclosure of financial statements brings in mitigating information asymmetry and smoothening price volatility, leading to a higher level of market efficiency. Moreover, if a company keeps sending on a regular basis new information to the market, the potential impact of that particular information tends to diminish.

Though, not all the research papers agree with this line of thinking, suggesting that an increased disclosure might lead as well to a higher volatility of the stock market (Schleifer and Vishny, 1997). Dechow (1994) points out to the rather semi-strong efficiency form of the stock market and to the credibility of financial statements, giving the time of publication of the financial statements. Alves and Santos (2008) investigate the level of informativeness of the quarterly financial reporting for a sample of Portuguese firms within 1994-2004 and reach the conclusion that not only annual reports, but also unaudited quarterly reports spur significant market reaction, in terms of prices and volumes.

As far as concerns the studies performed on Bucharest Stock Exchange (BSE), they are mainly focusing on determining the impact of the transition to IFRS for the non-financial companies listed on BSE (Huian, 2015) or determining the causal relationship between different accounting information and stock prices or returns (Jaba et al. 2016; Jianu et al. 2014). Dima et al. (2013), analyse the influence of publicly disclosed information on the stock market values of 45 companies listed on Bucharest Stock Exchange, having Madrid Stock Exchange as benchmark and constructing a global disclosure indicator. They find empirical evidence to support the positive market reaction to disclosed information on both markets, although less clear in the Romanian case.

3. Empirical approach and results

The dataset employed in this paper covers the 2000-2018 period. The data was provided by Tradeville. Our final sample resulted into a number of 40 companies, from different fields of activity. A full description of the sample composition can be depicted in Appendix 1.

The analysis performed here is a top-down investigation. We aim to study whether there is any impact of financial statements on the Romanian stock market and if so, how does this impact is absorbed by the market. We begin by analysing BSE index BET as a proxy of the general market impact, and then proceed to analyse the effect in a set of stocks from the BSE. The dataset used for the BET index ranges from 05/01/2000 to 01/08/2018 (4700 observation points).

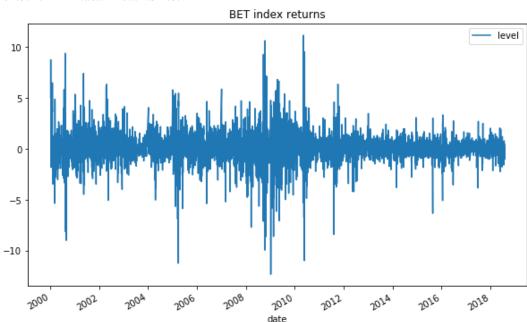


Figure no. 1. BET Index - Returns Plot

Source: authors' estimations.

Financial time series reveals periods of high and low volatility that are grouped together and form clusters of volatility. Heavy tails and volatility clusters are correlated as noted by Mandelbrot (1963). As perceived from the instant volatility plot of BET returns (Fig. no.1), we find a similar cluster pattern in our data. Thus, to account for these stylized fact of financial time-series, we will use the Autoregressive Conditional Heteroskedasticity (ARCH) framework model. We also proceed by modelling the mean equation that presented a meaningful autocorrelation structure. Therefore, we estimate two baseline models - GARCH(1,1) and AR(1)-GARCH(1,1). The main model results are presented below (Table 1 and Table 2).

Table no. 1. BET Index - GARCH(1,1) - Results

Mean Equation

	coef.	Std. Error
Mu	0.078 (***)	0.0146
Volatility Equation		
	coef.	Std. Error
Omega	0.0375 (***)	0.0139
alfa(-1)	0.1784 (***)	0.0306
beta(-1)	0.8203 (***)	0.0289
Bayesian Information Criterion (BIC)	15023.4	

Note: P-value is lesser or equal to (*) 0.1, (**) 0.05 and (***) 0.01.

Source: authors' estimations.

Table no. 2. BET Index - AR(1)-GARCH(1,1) - Results

Mean Equation

	coef.	Std. Error
Mu	0.078 (***)	0.0146
ar(1)	0.1054 (***)	0.0178
Volatility Equati	on	
	coef.	Std. Error
Omega	0.0375 (***)	0.0139
alfa(1)	0.1784 (***)	0.0306
beta(1)	0.8203 (***)	0.0289
Bayesian Information Criterion (BIC)	14984.6	

Note: P-value is lesser or equal to (*) 0.1, (**) 0.05 and (***) 0.01.

Source: authors' estimations.

As the model selection criterion, we used the Bayesian Information Criterion (BIC) - and proceed by using the AR(1)-GARCH(1,1) given its lower BIC value. Having a baseline econometric model, we proceed with our investigations on the impact of financial statements in stock returns.

Every year companies in Romania have to report release their financial statements regarding the previous year. This is done in two parts: during February companies release a preview of their financial statements and have until the end of April to report the final statement. We construct a dummy variable to capture the effect on returns during the second-half of April. Thus, from the 15th to 30th of April, the variable receives the value of one and zero otherwise. Our baseline model, AR(1)-GARCH(1,1), is expanded to receive a dummy variable. We found that our dummy variable is statistically significant at 5% confidence level, presenting a negative coefficient -meaning that on average the second-half of April have a marginally negative performance when compared with the rest of the year (Table 3).

Table no. 3. BET Index - AR(1)-GARCH(1,1) with announcement dummy - Results

Mean Equation

	-		
	coef.	Std. Error	
Mu	0.0776 (***)	0.01467	
ar(1)	0.1043 (***)	0.01787	
d1	-0.1198 (**)	0.0588	
Volatility	Equation		
	coef.	Std. Error	
Omega	0.0376 (***)	0.0109	
alfa(1)	0.1771 (***)	0.0295	
beta(1)	0.8206 (***)	0.0276	
Bayesian Information Criterion (BIC)	14989	14989.6	

Note: P-value is lesser or equal to (*) 0.1, (**) 0.05 and (***) 0.01.

Source: authors' estimations.

This result points towards the results obtained in the literature regarding the smoothening of the market volatility determined by the financial disclosure. We proceed by analysing on a more granular level this effect by modelling a set of stocks from the Bucharest Stock Exchange. We have compiled all the financial statement release dates of each stock from 2012-2018. Any missing data point was assumed to have a preview statement release of 15th of February and a final statement release of 27th of April (the most common preview/final release dates in our sample).

We built three dummies given specific information for each stock: the first one (preannouncement dummy) is encoded as one for a period of 7 days prior to the preview statement release, the second is encoded as one for the period between the release of the preview and final statement (between announcements dummy) and the last is encoded as one for the period of 7 days after the final statement release date.

We aim now to verify the same negative impact found after the release of the final statement on the BET index is persistent in the stock returns dynamics. In addition, we also investigate if there is any significant impact prior to the announcement and between the release and final one.

We model each stock following the same procedure described above for the BET index - modelling the returns as an AR(k)-GARCH(p,q) and choosing the best model using the BIC. Next, we add the period dummies in the returns equation and test for statistical significance (Table no.4).

Table no. 4. Mean Equation Results - Stock Models

	Const	AR(1)	d0	dl	d2
ALT	-0.0024	-0.2805 (***)	0.1904	-0.2465 (*)	0.1066
AMO	0.2446	-0.5564 (***)	-0.7173	1.008 (***)	-1.1201
ART	0.4623 (***)	-0.2146 (***)	-0.7881	-0.8278 (***)	-2.0071 (***)
BRD	0.0328	0.0575 (**)	-0.2494	-0.0673	-0.4435 (*)
BRK	-2.3085e-03	-0.0975 (**)	0.1866	-0.2527 (*)	-0.4733 (***)
CMP	0.0863 (*)	-0.1528 (***)	0.3965	-0.2132 (*)	0.0188
COMI	0.0262	-0.5158 (***)	-0.2117	-0.4031 (*)	-0.7002
COTE	0.1972 (***)	-0.2026 (***)	0.0387	-0.2756	-1.0537 (**)
DAFR	-0.1317		0.4395	-0.3685 (**)	-0.2474
ELMA	0.0980 (*)	-0.2053 (***)	-0.2477	-0.1975 (*)	-0.7486 (*)
EPT	-0.1938	-0.2021 (***)	1.1802	-0.6193 (*)	0.1886
OIL	0.0155	-0.2510 (***)	0.1454	-0.2299 (**)	-0.3536
SIF5	0.1032 (***)		-0.2519 (**)	-0.2121 (***)	-0.0851
TLV	-0.0303		0.0669	0.3077 (***)	0.1737
VNC	0.1006 (**)	-0.2632 (***)	0.2440	-0.1930 (**)	-0.8524 (*)

Note: P-value is lesser or equal to (*) 0.1, (**) 0.05 and (***) 0.01.

Source: authors' estimations.

4. Conclusions

The results obtained when analysing BET index show on average that the second-half of April exhibits a marginally negative performance when compared with the rest of the year We also found that there are significant negative effects for a set of stocks between the announcements and the period after the release of the final statement (d1 and d2 variables, respectively) - corroborating with our previous findings for the BET index. For pre-announcement periods, we only found a negative impact for SIF5 (at 5% confidence level) - but since it also have a "between announcements" significant impact, we argue that the pre-announcement significance in this stock is a statistical noise due to our simplification assumptions adopted when handling missing announcement dates and should be interpreted as a "between announcements" effect instead. The TLV stock is an interesting case where it presents a significant positive impact between the two announcements. Banca Transilvania SA (TLV) is one of the biggest bank in Romania, and considered a safe investment. We reason that it may functions as a "safe island", after the release of statements investors become more risk-averse (this may be due overconfidence bias correction, proceeding to sell other (riskier) companies and buying a safer one (TLV). This requires more investigations and remains an open question. Another finding is that for some stocks (i.e. ART, BRK, COTE) the post announcement effect is also significant and more intense than the effect between periods. For example, ART presents a post-announcement coefficient of -2 and a between announcements coefficient of -0.82. We reason that this may be due to big corrections from the preview in the final statement, but also needs further investigation.

The obtained results are generally consistent with some results obtained in the literature regarding the smoothening of the market volatility determined by the financial disclosure.

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Appendix 1. Sample composition

Field of activity	Number of companies	Companies
Consumer goods	3	VNC, SPCU, BRM
Pharmaceutical sector	4	ATB, BIO, SCD, RMAH
Banking & financial services	4	TLV, BRD, BRK, SIF5
Chemical industry	1	AMO
Industrial equipments	5	ARTE, ARS, ELMA, CMF, ROCE
Metallurgy	2	ART, ALR
Petroleum and gas	7	SNP, RRC, DAFR, OIL, PTR, COTE, COMI
Transport and logistics	3	SNO, EPT, SOCP
Real estate & constructions	4	IMP, CEON, ALU, COTR
Tourism	2	EFO, TUFE
Utilities	2	TGN, TEL
Auto accessories	3	UAM, CMP, ALT
TOTAL	40	

Cryptocurrencies in Romania. Cryptocurrencies Pose Risk for Central Bank and for Economy?

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Abstract

The cryptocurrencies are important topics in economics literature because their significance for the monetary system as innovations in information and communication technology are impacting the conventional thinking about currency, money and payments as they are used over the internet outside existing banking systems. At the same time, all innovations in payment systems come with risks associated with cyber security, speculative investments and money laundering.

In present due to their little usage comparing to the total amount of cash and other legal tenders they do not pose risks to financial stability, but as they will increase in volume, they may impede "the central banks' core functions: monetary policy, financial stability, payments and currency" and the safeguards of investors in cryptocurrencies.

One opinion expressed in economics is that in order to mitigate some of the particular risks entailed by cryptocurrencies' circulation on global financial and monetary system the central banks should considering the issuing of "central bank digital currencies".

Key words: cryptocurrency, money, central bank, risk.

J.E.L. classification: E40, E42

1. Introduction

Wikipedia, the free encyclopedia, defines a cryptocurrency as "a digital asset designed to work as a medium of exchange that uses strong cryptography to secure financial transactions, control the creation of additional units, and verify the transfer of assets. Cryptocurrencies are a kind of alternative currency and digital currency. Cryptocurrencies use decentralized control as opposed to centralized digital currency and central banking systems.

The decentralized control of each cryptocurrency works through distributed ledger technology, typically a blockchain, that serves as a public financial transaction database.

In this article we present the impact of cryptocurrencies on financial system and on financial stability regarding the fact that their circulation is worldwide and that they could pose different types of risks on global economy. We also present different points of view expressed by several central banks regarding the possibility of issuing "central bank digital currencies". In last chapter we present the movement of cryptocurrencies in Romania.

2. Theoretical background

Bitcoin, first released as open-source software in 2009, is generally considered the first decentralized cryptocurrency. Since the release of bitcoin, over 4,000 *altcoins* (alternative variants of bitcoin, or other cryptocurrencies) have been created."

(https://en.wikipedia.org/wiki/Cryptocurrency)

The cryptocurrencies are not guaranteed or recognized as legal tender by any central bank or by any government around the world but central banks are interested in analyzing the evolution of cryptocurrencies because they have liabilities in issuing banknotes and coins, in ensuring and monitoring the stability of prices and also the financial stability of the national economy.

Due to the fact that the cryptocurrencies could be issued without any legal constraint from national authorities and their on line circulation (via internet) all over the world is not restricted, were carried out scientific researches, studies and statistical surveys regarding: the number and the value of cryptocurrencies issued and commercialized on line; the evolution of their price in time and the potential risks they could entail for economy.

Also were conducted chunk samplings of the owners of cryptocurrencies in order to identify what was the main reason for them to buy cryptocurrencies. For example a lot of Canadians who bought bitcoins in 2017 said into a response to a survey conducted by the Bank of Canada that "they did so for investment purposes - and that really means speculation" or bull transactions. (Bank of Canada, 2018)

Central banks could emit digital currencies in order to mitigate the possible negative side effects of cryptocurrencies on the economy and on the monetary and financial system.

3. Cryptocurrencies around the world

The main findings of the studies and surveys conducted by several central banks regarding the evolution of cryptocurrencies and their possible impact on global economy are presented below:

3.1. The risks identified related to the use on a large scale of cryptocurrencies are:

- Absence of legal status due to the fact that their circulation is not regulated or supervised and the result is that their users are not legally protected by authorities and will not benefit from the right of redemption or a deposit guaranty scheme, and are more exposed to the various risks that regulation usually mitigates. "There is a risk of illegal activities and deception of investors (similar to financial pyramids)". (Bank of Russia, 2018)
- Concentration risk appears because the easy issuance of cryptocurrencies over the internet. In present are in circulation over 1.000 types of cryptocurrencies around the globe, the most important currencies used and their market share are presented in Figure 1.

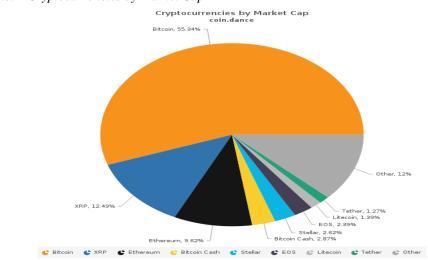


Figure no. 1 Cryptocurrencies by Market Cap

Source: https://coin.dance/stats

The top three cryptocurrencies, Bitcoin (55,34%), Ripple-XRP (12,49%) and Ethereum (9,62%); have more than 77 percent of market share, which represent a high concentration risk in cryptocurrencies market.

- The uncertainty regarding the continuity of their circulation and potential lack of liquidness. The life expectancy of the cryptocurrencies are not guaranteed and their users could remain with no unit in their virtual accounts for different causes (the bankruptcy of the maker or a possible fraud committed by the issuer etc).
- The fees of using the cryptocurrencies are very high. The Bank of Canada concluded in a survey that "the transaction costs were high in 2017 as much as \$55 per transaction compared with almost zero for cash." (Bank of Canada, 2018).
- Anonymity. The history of cryptocurrencies' transactions is kept in the blockchain and the users are identified only by their virtual currencies addresses, which play the role of pen-names (it is almost impossible to connect the pseudonyms with the real persons behind it), so the users could be misinformed about the real beneficiary of their payments and fraudulent activities and fictitious payees could appear.
- **High IT and network dependency** of cryptocurrencies could rise operational risks, such as: technical failures, hacking or lack of electricity etc.
- **High volatility** of cryptocurrencies represents a knotty problem for users and investors in because they will in future either convert into money their virtual currency holdings or they will use them to buy goods, the price of which is usually quoted in currencies and therefore unstable in the case of payments in virtual currency.

In opinion of Swiss National Bank's representatives the cryptocurrencies "that have no link to a conventional currency (the Swiss franc for instance) display a high level of price volatility. Compared with exchange rates, commodities and equities, cryptocurrencies are subject to very high volatility, and investors must be aware of the financial risks they are taking on when buying them". The volatility of Bitcoin, which is the first cryptocurrency used around the globe, with a market share over 55% of cryptocurrencies' market, and its market capitalization compared with the volatility and market capitalization of EuroStoxx50, of USD and of Gold are presented in Figure 2, below.

VOLATILITY*** MARKET CAPITALISATION In USD trillions 160 14 140 120 100 10 80 60 B 40 20 2 2018 2015 2016 2017 Bitcoin EuroStoxx Gold** Bitcoin Gold Euro Stoxx 50 USD

Figure no. 2 The volatility and market capitalization of: Bitcoin, EuroStoxx50, USD and Gold

Source: Maechler, A.M., 2018. The financial markets in changing time, Swiss National Bank, Zurich, pg.10

From figure 2 results that the oscillation in the worth of the Bitcoin is higher compared with the volatility of other assets analyzed, which are more stables and if we consider the low share of market capitalization of Bitcoin, it could be drawn a conclusion that if, in near future, market capitalization of Bitcoin will expand then the use of Bitcoin could pose risks on the financial stability of the financial system.

• The leverage effect resulted from purchasing the cryptocurrencies with borrowed funds from banks (for example credit card or other types of bank loans) could enhance risks for investors due to the high volatility of their value (they could have suddenness oscillations of their worth into a short period of time).

3.2. The positive aspects of cryptocurrencies are:

- regarding their worldwide circulation: the speed of transfer between virtual accounts and the development of alternative settlement solutions.
- the cryptocurrencies were created with the purpose that they will replace in the future the money. "The great benefit of crypto cash is seen to be the elimination of the need for public institutions like a central bank or large commercial banks. People using this system don't have to trust an individual or institution but they do have to trust the technology." (Bank of Canada, 2018).
- the resiliency of a blockchain "that can may enable a network to continue to operate even if some of the nodes on the network are compromised because of the ability of the other nodes in the network to pick up the slack and continue processing transactions". (Federal Reserve, 2018).

"If these technologies are successfully combined with the existing trust and credit of sovereign currencies, they could contribute in enhancing the efficiency of economic transactions and payments. In this regard, many central banks have embarked on research and experiments of these new technologies. The Bank of Japan has also engaged in the joint distributed ledger technology - related research "Project Stella" with the European Central Bank". (Bank of Japan, 2018).

3.3. Central Bank Digital Currencies

From the analyses conducted by the European Central Bank "digital base money already exists in terms of the reserves of the banking sector held at the central bank, but the more recent question is whether central banks should make digital base money more widely available (for example allowing non-banks, including households, to hold accounts at the central bank)." (European Central Bank, 2017)

The decision making on emission of the central bank digital currencies must analyze its impact on the entire financial system. For example "during a systemic banking crisis, holding risk-free central bank issued digital base money could become vastly more attractive than bank deposits. There could be a sector-wide run on bank deposits, magnifying the effects of the crisis.

Overall, there is currently no convincing motivation for the Eurosystem to issue Digital Base Money to the general public". (European Central Bank, 2017)

One of the Bank of Canada' objectives is to examine the conditions, if any, it might recommend to the government that Bank of Canada to issue digital currency.

"The design of a central bank digital currency has important implications on its risks and benefits. Unless the risks identified could be managed through appropriate design, the Bank of Canada would not recommend issuing such a currency." (Bank of Canada, 2018).

The central bank of Norway conducts qualitative analyses in order to determine if a central bank digital currencies' emission would be necessary or unnecessary.

"The use of cash is relatively low in Norway compared with other countries and is declining. It must be considered whether cash has any important characteristics that are not shared by bank deposits and whether there is a need for other forms of central bank money in addition to cash.

Cash has a number of unique characteristics such as: it is a credit risk-free alternative to deposit money; it is an independent back-up solution if electronic systems fail and it is legal tender that can be used by all.

For the Norges Bank, the question is whether a central bank digital currency could supplement cash to maintain confidence in the monetary system and ensure that Norway's future payment system is safe and efficient". (Norges Bank, 2018)

The Swiss National Bank considers that is not necessary the emission of the digital central bank money because the cashless payment transactions made through the monetary system are efficient and innovative.

The opinion of the Federal Reserve is that is not proved yet the need for a Fed-issued digital currency taking into account that "a central bank digital currency could overcome the volatility risks associated with an unbacked asset with no intrinsic value by substituting a digital instrument that is the direct liability of the central bank". (Federal Reserve, 2018)

The Bank of Japan does not have a plan to issue its own digital currency that can be widely used for payments and settlements at this moment.

"Despite cracking down on privately-issued cryptocurrencies, China's central bank, the PBOC, is reportedly considering issuance of its own digital currency. According to a March 2018 interview with the governor of the PBOC, the PBOC has been conducting a study of digital currency for over three years and has set up an Institute of Digital Money within the PBOC." (https://www.loc.gov/law/help/cryptocurrency/china.php).

4. Cryptocurrencies in Romania

In Romania cryptocurrencies are not recognized as a legal tender and are not guaranteed by the Romanian government or by the National Bank of Romania.

The National Bank of Romania is not responsible for regulating cryptocurrencies but its "primary objective is to ensure and maintain price stability and has also the task to promote and oversee the smooth operation of the payment systems with a view to ensuring financial stability".

The National Bank of Romania is not taking into account the issuance of its own digital currency.

In Romania the first cryptocurrency used since 2014 was Bitcoin. The Automated Teller Machines of Bitcoin operated by Zebrapay allow the purchase of Bitcoin and of Ethereum, two important virtual currencies worldwide, with cash but the sale of cryptocurrencies in Romanian currency (Romanian leu) is forbidden in Romania.

In October 2018 was launched the first token Roncoin, with an exchange rate of 1 to 1 with romanian currency - leu offering, according to the issuer, protection against price volatility to the users of Roncoin (the slogan is "Keep your money in the most stable crypto asset").

On the official site of Roncoin, https://roncoin.to/ro, the Roncoin is presented as:

- a stable cryptocurrency due to the fact that every Roncoin is linked with Romanian currency, Leu, (1 Roncoin is equal to 1 Romanian Leu on Roncoin platform's reserve account);
- a trustworthy cryptocurrency because "Roncoin enables businesses, including exchanges, wallets, payment processors, financial services and ATMs, to easily use fiat-backed tokens on blockchains, using the ERC20 Token Standard Interface. Roncoin offers legal protection with Escrow accounts."
- a transparent cryprocurrency due to the fact that on the Roncoin' internet platform could be seen the values of transactions made. The amount of Roncoin issued will always be less than or equal to the amount of the Roncoin' fiat currency reserves. "Every Roncoins is pegged at a one-to-one exchange rate with a matching fiat currency, the Romanian Leu (e.g., 1 RONC = 1 RON) minus processing fees (which are calculated as follows: Etherum network mining gas fee + partners exchange fee + bank wire fee) and is 100% backed by actual assets in Roncoin Romania reserve account." The reserve account of Roncoin is regularly audited and is promised a full time access of the users to Roncoin balance. At the same time on the Roncoin site is guaranteed the application of the procedure of know your customer form and approval process is required to issue and redeem Roncoin.

The first regional currency in Romania will be launched at the end of November 2018 in Sibiu (the future European Gastronomic Region in 2019) and the name of it will be SibCoin.

The purpose of issuing the SibCoin is to enhance the community development through the local trade especially with traditional products and will be used only in purchasing the local products.

In the world exists in nowadays around 300 local currencies, all of these being listed in Complementary Currency Resource Center, which is an international multi-lingual resource for those interested in local, community, complementary, electronic, commercial barter and alternative currency systems. (https://community-wealth.org)

The transactions with Sibcoin will be made using the Community Exchange System (CES) based on the distributed ledger technology system.

In our point of view the Roncoin and the Sibcoin, being new cryptocurrencies, launched in October 2018 and respectively in November 2018 on Romania' monetary market, must be examined closely because the cryptocurrencies are subject to wide variations in their value over time and the users of or investors in cryptocurrencies are exposed to multiple risks presented in chapter 2.

Therefore, the Romanian policy makers, regulators of payment systems needs to permanently monitoring the volumes commercialized and dynamics in value of the Roncoin and of the Sibcoin, even if on the official internet page of Roncoin it is presented as a stable fiat currency.

5. Conclusions

The cryptocurrencies could impact negatively the financial stability of payment systems around the world because, in spite of their little share in total of payments made in global economy, they have a large circulation through the internet and their existence is not guaranteed by any legal institution (government agency or central bank) and relies only on the blockchain and the identities of the owners are not known.

At the same time cryptocurrencies can have positive aspects in terms of financial innovation and the provision of additional payment alternatives for consumers.

Given the risks identified (presented in chapter 2), cryptocurrencies seem to be used more for investments or in speculation purposes, due to their volatility, rather than a secure payment method.

For the tasks of central banks, such as ensuring price stability, financial stability and promoting the smooth operation of payment systems the materialization of risks depends on the volume issued, the connection to the real economy, the volume traded and user acceptance.

The central banks, the legislators of payment systems, the policy makers and the researchers from academics should monitoring the development of money and finance and should analyzing the impact of growing circulation of cryptocurrencies on financial systems and financial stability and take adequate measures in order to mitigate the side effects of risks identified taking into account the suddenness oscillations on the value of cryptocurrencies in a short period of time.

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Single Fiscal Statement of the Individuals – A Solution of Simplifying Bureaucracy in Fiscal Field?

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Abstract

Reducing bureaucracy and corruption are aspects of tax compliance of taxpayers. Simplifying tax fiscal statement obligations of the individuals by merging the 7 fiscal statement addressed to this category of taxpayers in a single statement seems a suitable solution for both individual taxpayers and tax administration staff.

Key words: single statement, reducing bureaucracy, fiscal simplification.

J.E.L. classification: H21, H26.

1. Introduction

Although it does not have a significant weight in the consolidated state budget, the level of tax liabilities of the individuals in Romania could increase by reducing bureaucracy and simplifying their fiscal statement and payment procedures and implicitly would increase tax compliance for this category of taxpayers.

Simplifying the procedures for declaring and paying taxpayers' obligations is also a problem in Romania that requires changes / updates or even fundamental restructuring of the tax compliance modalities.

The purpose of this article, based on this recital, is an analysis of the perception of both individual taxpayers and employees in the tax administration in implementation of the single form.

Form 600 "Fiscal statement of income on which is due to social security contributions and, regarding its revenues in the minimum threshold for determining the contribution of health insurance" raised controversy in the first months of 2018 as required of the individuals performs employed social insurance contributions and health insurance, regardless of income derived from these sources this year, the condition being that last year's income exceeded the ceiling of 22.800 lei per year.

The numerous promises of the fiscal statement submission, the protests organized by some disgruntled taxpayers (we mention the organization of the flashmob to the 600 paper airplane fiscal statement launched at the Ministry of Public Finance by nearly 300 artists - singers, actors, photographers, choreographers, writers, etc.), the obligation to pay the contributions on a still non-existent and uncertain income (as there are no provisions regarding the restitution of the contributions in the case of non-payment of the ceiling in the current year) imposed a permanent solution to the submission of a single form by self-employed.

2. Theoretical background

At international level, the reduction of bureaucracy and the controllable level of corruption are issues of tax compliance. A strong incentive factor is to create a moral fiscal climate in which citizens are protected from corruption and bureaucracy (Picur *et al*, 2006, pp. 174-180).

At the same time, financial and fiscal bureaucracy has undergone fundamental changes over the last decades globally and especially in the Nordic and Baltic regions. In theory, these changes should also revert to policy making and implementation. Following a study carried out during the

January 2014 - April 2017 called Project of Understanding policy change: Financial and fiscal bureaucracy in the Baltic Sea Region (Estonia, Latvia, Norway and Sweden), the main outcomes achieved included the extensive review of relevant literature, including adaptation to country-specific contexts.

The European Union, irrespective of previous elections, must allow its institutions the flexibility in choosing policies that are tailored to the context, taking account also of policy coordination traditions of Central and Eastern Europe(Erkki *et al*, 2015).

However, the greatest change seems to be the reinforcement of the bureaucratic capacity of the control bodies, whether fiscal or those responsible for complying with the rules and procedures (Souza, 2015).

In order to clarify the behavior of tax revenue impact factor with the existence and avoidance of the fiscal sensitivity impact factor, analyzing the quantification of sensitivity of the fiscal system to bureaucracy (Challoumis, 2017) shows that the decrease in bureaucracy could rapidly increase tax revenues from a global perspective.

3. The new fiscal tax mechanism of income tax, social insurance contribution and social health insurance contribution

With the Order of the President of the National Agency for Fiscal Administration no. 888/27.03.2018 for the approval of the model, content, manner of submission and administration of the single fiscal statement on income tax and social contributions due by the individuals regulated the manner of declaring the income realized in 2017, as well as the fiscal statement of the estimated income tax and statutory social contributions payable by the individuals starting in 2018.

The objectives pursued by this order are:

- 1. simplification of declaratory obligations (single fiscal statement);
- 2. a single payment deadline (March 15 next year);
- 3. immediate knowledge of the obligations (self-imposition);
- 4. possibility to make early payments;
- 5. Social Insurance Contributions (CAS) and Health Insurance Contributions (CASS) according to the estimated income of the current year.

The single D212 fiscal statement is made by merging 7 existing fiscal statements at the level of 2017:

- D200 income from Romania;
- D201 earnings from abroad;
- D220 estimated income / income norm;
- D221 income rules agriculture;
- D600 base revenue for CAS;
- D604 Establishment of CASS without income;
- D605 stop CASS people without income.

The deadline for submission in 2018 will be July 15th, 2018 (to complete the fiscal year 2017 and estimate 2018), and from 2019 onwards March 15th (to complete the previous fiscal year and current year estimate). The four payment deadlines set by the tax assessment decisions of the National Agency for Fiscal Administration (March 25th, June 25th, September 25th and December 21st) are merged into a single payment deadline (March 15th of the year following the income); which will lead to better planning in order to pay tax liabilities by taxpayers but also to collect a higher amount at the beginning of the fiscal year for carrying out the fiscal reforms needed for the economy and a better record of the bad-payers in order to take the necessary measures combating this phenomenon.

It encourages on-line submission of statements, which can only be received on paper in 2018, and from 2019 onwards it will be possible to send them only on-line.

Providing taxpayer's assistance to their tax education plays a key role in implementing this measure but the allotted time may be quite short given the low level of tax literacy of some taxpayers and internet access for many of them.

In addition to meetings organized with taxpayers at the premises of public institutions and / or city halls, the procedure for electronic distance communication between the National Agency for Tax Administration and the individuals offers them the possibility to use two new communication services, namely "Virtual private space" and "Tax Newsletter".

The Virtual Private Space service is to provide individuals with a virtual space on the servers of the Ministry of Public Finance / National Agency for Fiscal Administration through which the electronic communication of information and documents between the National Agency for Fiscal Administration and the natural person related to its own tax situation. The order of the Ministry of Public Finance no. 1154/2014 regarding the procedure for communication by electronic means of distance transmission between the National Agency for Fiscal Administration and the individuals provides the option to access this service and allows the individuals to choose the electronic communication of the administrative documents tax forms issued in electronic form by tax authorities within the National Agency for Fiscal Administration and the individuals may submit requests, documents or documents to the fiscal body.

The "Fiscal Information Bulletin" service is a remote computer information service provided by the National Agency for Fiscal Administration, which consists in providing public entities with fiscal information in order to guide them in fulfilling their tax obligations. The information transmitted through "Tax Newletter" service is informative, not replacing the user's obligation to know and fulfill the tax obligations and does not generate any rights and obligations other than those provided by the fiscal legislation.

The provision of electronic communication services is carried out through the centralized information system of the Ministry of Public Finance on the portal of the National Agency for Fiscal Administration. These e-mail communication services provided by the National Agency for Tax Administration are free of charge and are available 24 hours a day, which is a powerful stimulus for taxpayers who want to comply but whose time is limited and did not fit during the working hours of the tax offices for the filling and payment of tax obligations.

Thus, the new system implies the submission of the single fiscal statement through the following possibilities:

- 1. by electronic transmission systems virtual public space (user and password identification system is used);
 - 2. by electronic means e-government (electronic signature based on a qualified certificate);
- 3. completing the single intelligent form with the assistance of the National Agency for Fiscal Administration and the City Hall and submitting it to the National Agency for Fiscal Administration on the city council or the National Agency for Fiscal Administration (either through the virtual private space or via e-government);
 - 4. on paper (only for 2018).

The success of the implementation of a fiscal policy must also take into account the determinants of the taxpayer's behavior (in our case, the individuals). An Professor Univ. Dr. (Brezeanu, 2017) showed that the taxpayer's (physical or legal person) determinant is the tax pressure, calculated in the literature as the ratio between the tax revenues obtained over a certain period of time and the gross domestic product of the same period.

Until the payment deadline (March 15th 2019) the taxpayer can make payments at any time and in any amount given the estimated obligations. It's freeing you from the pressure of pay when you approach payouts can lead to a beneficial relaxation of taxpayers.

In order to encourage on-line and on-time submission of the single statement as well as the full payment within the legal term, the following bonuses are granted for the year 2018:

- 5% of estimated tax liabilities if they are fully paid by December 15th 2018.
- 5% of the final tax obligations if they are fully paid up to 15th March 2019, and if the single fiscal statement is submitted online and on time.

The submission of the annual fiscal statement is intended to ease the burden on taxpayers as well as tax administration staff on tax returns.

4. The obligation to pay the social insurance contribution and the social health insurance contribution

The social insurance contribution (CAS) is due to:

- _ earnings from salaries;
- _ income from self-employment;
- _ income from intellectual property rights;
- _ unemployment benefits;
- _ sickness insurance benefits.

The individuals who earn income from independent activities and rights of intellectual property owes CAS if it estimates for the current year net earnings whose cumulative value is at least equal to 12 minimum wages gross in the country (22.800 lei).

Table no. 1 Individuals who owe CAS and obtain income from self-employment and intellectual property rights

Under-ceiling estimated	Made under the ceiling; Do not choose	It does not owe CAS
Under-ceiling estimated	Made under the ceiling; Choose	Uses CAS 25% * (at least 22.800)
Under-ceiling estimated	Made over the ceiling	Uses CAS 25% * (at least 22.800)
Estimate Over Ceiling	Made over the ceiling	Uses CAS 25% * (at least 22.800)
Estimate Over Ceiling	Made under the ceiling	It does not owe CAS (any paid payments will not be refunded)

Source: own processing of the Order of the President of the National Agency for Fiscal Administration no. 888/27.03.2018 for the approval of the model, content, manner of submission and administration of the single fiscal statement on income tax and social contributions due by the individuals.

For the individuals earning net income from intellectual property rights higher than 22.800 lei from a single payer, CAS will be retained by the payer (25% * at least 22.800 lei).

Pensioners do not owe CAS for incomes from self-employment and intellectual property rights. Employees do not owe the CAS for intellectual property rights.

The social health insurance contribution (CASS) is due to:

- _ earnings from salaries;
- _ income from self-employment;
- _ income from intellectual property rights;
- _ income from association with legal entities;
- rental income;
- _ income from agricultural and forestry activities;
- _ investment income;
- income from other sources.

The individuals who earn income from one or more sources and / or income categories, owes CASS if it estimates for the current year revenues whose cumulative value is at least equal to 12 gross national salaries (22.800 lei).

Table no. 2 Individuals who owe CASS and obtain income from self-employment and intellectual property rights

Under-ceiling estimated	Made under the ceiling; Do not choose	It does not owe CASS
Under-ceiling estimated	Made under the ceiling;	It's CASS
	Choose	10% * 11,400 lei
	Statement in time	(6 months)
Under-ceiling estimated	Made under the ceiling;	It's CASS
	Choose	10% * 1,900 * nr. of months left
	The statement is not in time	

Under-ceiling estimated	Made over the ceiling	It's CASS
		10% * 22.800 lei
		(12 months)
Estimate Over Ceiling	Made over the ceiling	It's CASS
		10% * 22.800 lei
Estimate Over Ceiling	Made under the ceiling;	It does not owe CASS
	He's an employee	
Estimate Over Ceiling	Made under the ceiling;	It's CASS
	He is not an employee	10% * 11,400 lei

Source: own processing of the Order of the President of the National Agency for Fiscal Administration no. 888/27.03.2018 for the approval of the model, content, manner of submission and administration of the single fiscal statement on income tax and social contributions due by the individuals.

Employees and retirees do not owe CASS for intellectual property income.

Income-free individuals can opt to secure, due to CASS, for 12 months, on a basis of calculation equal to 6 gross national minimum wages irrespective of the date of filling the fiscal statement.

The tax burden, ie the ratio between the amount of taxes paid by an employee and the total cost of workforce for the employer is above European Union average for low-income people, and for people with high incomes it is below. Thus, the tax burden for people who earn 50% of the average wage was 36,8%, and for those who earn 167% of the average salary amounted to 39,5% in 2016, compared to the European Union average of 32,2% and 44,4%, respectively (European Commission, 2018 Country Report on Romania accompanying the document Communication from the Commission to the European Parliament and the Eurogroup European Semester 2018: Assessment of progress in structural reforms, prevention and correction of macroeconomic imbalances and balance sheet results under Regulation (EU) No. 1176/2011).

5. Collaboration with municipalities

The local tax body in cooperation with the central fiscal body provides assistance in completing and / or filling the single fiscal statement for taxpayers who have their tax domicile in the locality where the local tax office has its headquarters and there is no territorial unit of the National Agency for Fiscal Administration.

The fiscal statement thus completed shall be sent to the central fiscal body competent in the taxpayer's administration by electronic means of distance transmission either by the taxpayer or by the local tax authority.

Collaboration between local tax authorities and municipalities should prove to be an aid to the individuals with difficulties in completing the tax fiscal statement or filling it (lack of the Internet).

I believe that during this transition period from the possibility of submitting on paper to mandatory submission only on-line from 2019, local meetings (possibly at the level of each city hall) of taxpayers with tax representatives, but also with those of the mayoralties for informing and guiding them.

Townhouse support and collaboration between public institutions should be key features for effectively starting the process of completing and submitting a single fiscal statement for individual taxpayers.

6. Conclusions

Completing a single fiscal statement (by merging seven existing fiscal statements in year 2017) is not necessarily easy for the purposes of completing the single fiscal statement. For taxpayers'education from a tax point of view, taxpayers' assistance and frequent meetings with taxpayers to answer their many questions are important steps that need to be implemented in order of correct completion of taxpayer fiscal statements and avoidance of making corrective statements.

Taxpayers' internet access is imperative for the implementation of this measure. Good collaboration between the National Agency for Fiscal Administration and municipalities is a first major step and the allocation of resources needed to solve IT deficiencies and needs is necessary for each specific issue. Beneficial effects at a national level can only be felt by an important and so

necessary investment in the modernization of servers, technological equipment and computing supporting the main organizational processes.

The lack of notifications sent to taxpayers by the National Agency for Fiscal Administration could lead to delays and even omissions in the payment of their tax obligations without a regular impulse from the tax administration specialists. Also, responsibility for calculating payment obligations by taxpayers without prior consultation with tax administration specialists could lead to errors in completing tax returns and computing taxpayers' obligations. I believe that, at least until accommodating the new system, notifications on payment obligations should be made both before the fiscal statement deadline and after the analysis of the statements received to overcome these deficiencies.

Simplifying the system of taxing individuals' incomes by using on-line applications will benefit both taxpayers and tax administrations employees under the conditions of working procedures, the modernization of tax administration activity and good collaboration between the taxpayer and the public institutions.

Thus, its encouraging on-line submission of fiscal statements taxpayer individuals is an important step in the reorganization of the National Agency for Fiscal Administration, with positive effects in the collection of revenues and therefore on the functioning of other areas of activity (education, health, national security etc.).

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Possibilities of Influencing the Results of an Entity through Creative Accounting at Stock Level

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Abstract

The reality of these days proved the fact that, real and opportune economical – financial information represents the key to decision grounding by the different categories of users. However, the complexity of the economic life, but also the normative changes, have led to the development of procedures and techniques which allow an "embellishment" of financial reports in which the information are reflected. In order to have a more profound vision on the activity carried out by an entity, the users of financial reports have to be able to identify both the implementation of these techniques, as well as the resulted modifications.

According to the utilized mechanisms, the creative accounting impacts both the result and the balance sheet. Among the procedures which have an influence on the result modelling, the ones concerning stocks shine.

Key words: creative accounting, stocks, economical – financial information.

J.E.L. classification: M40, M41

1. Introduction

"Nowadays, accounting may be defined as a remodelling instrument or an instrument of representing the entity, which allows to its leadership to provide financial reports concerning the situation and its realisations, which are to be presented to different economical and social partners, to the parties which are interested in its existence, for helping them with the decisions which regard the entity." (Colasse, 2009, p.69)

The process of globalization and especially the complexity of the contemporary economic life, increase the importance of the information reflected in financial reports for taking some decisions. Therefore the quality of decision is influenced by the quality of information having a great impact on the results of that company. "Although the financial information is produced in a legal framework which regulates the rules of its presentation in a quite accurate manner, in practice it is ascertained that it is practised a correction of result and a legitimate and legal adjustment of result, by many entities which take advantage of the flexibility of accounting and juridical rules, from where the concept of creative accounting comes from." (Cernuşca, 2004, p. 385). Therefore the usage of creative accounting has extended to fixed assets, stocks, provisions, amortisation, commercial fund, capitals, claims and not only, but given all that, a trusty image of the entity may still be given.

Within the entities which have manufacturing activities, a significant weight is detained by current assets, and among these, stocks shine, having an important role in the good development of the entity's activity; that is the reason why the correct recognition and valuation of these elements is essential for providing a trusty image through financial reports, so that the users may have a solid base when making a decision. By intervening on the way in which the stocks are reflected within the financial reports, the entity's result is influenced.

Creative accounting has different procedures which have an impact on the result and which use as mechanisms the complexity of aspects concerning stocks, aspects which allow the voluntary finding of error in determining the size of the stock, using different methods of evaluating these elements as well as including or not some expenses in the cost of these stocks.

This scientific approach pursues an actual, complex matter referring to creative accounting's possibility to influence the determining of the stock size of an entity and implicitly the result of that entity.

2. Methodology

The utilized methodology for fulfilling the purpose of this scientific approach includes both a theoretical research, as well as an empiric one. The theoretical research is an explanatory qualitative one and includes the study and analyze of regulations, studies and some financial accounting papers, respectively the creative accounting. The empirical research is a quantitative, descriptive research and it pursues different practical aspects of creative accounting in the stock field.

3. Theoretical background: Aspects concerning stocks

"Stocks are assets detained for being sold during normal business, in the course of production for sale during the normal business, under the form of raw materials, materials and other consumables which are to be used in the process or manufacturing or for provision of services." (IAS 2, 2015, paragraph 6).

"Stock evaluation in the entity's current accounting and financial reports is made following the general norms of valuation, elaborated in accordance with the fundamental accounting principles." (Ristea, 2005, p.158). "According to the International Standards, stock valuation is made at the lowest value from the cost and net realisable value." (IAS 2, 2015, paragraph 8). It is also important for the evaluator of an entity to know the valuation method used for stock within the entity. "If the method through cost is used, it is also necessary for him to know the specific used method which can be: the weighted average cost method, "first in – first out" method (FIFO), "Last in – first out" method (LIFO)." (Stan et al, 2007, p. 296).

"In conditions of price increasing, a phenomenon which is almost normal in each economy, FIFO method is the leading one in making and presenting a more credible and relevant balance sheet (final stocks appear at the most recent prices) and a less credible and relevant profit and loss account (the consumables are registered at costs offset revenues). In the same context, the effects of applying the LIFO method are completely opposite: a more reliable and relevant profit and loss account, a less reliable and relevant balance sheet. It is inferred that choosing a method or other of evaluation regards the objectives which we formulate and a hierarchy of values." (Feleagă, 2006, p. 33-44). "Using the weighted average cost, the most utilised method in Romania, leads to obtaining a profit situated between the profit made by applying the FIFO method and the one obtained by applying LIFO." (Costi, 2016, p. 30-39). Therefore the accounting treatment referring to stocks influences the period's fiscal result. Using different methods of stock evaluation (FIFO, LIFO, weighted average cost), lead to different fiscal results.

4. Aspects specific to creative accounting

"Creative accounting is in the time gap which has always existed between the financial innovation and normalization, this always being more or less the trail of the latter. It evidently meets a great development in the times of strong financial innovation, like the one known on the fund of financial globalization at the end of the last century." (Colasse, 2009, p. 69).

"Creative accounting consists in the assembly of techniques, options and liberties left by accounting texts, which without alienating from accounting norms or exigencies, give the entities' leaders the possibility to juggle with results or to modify the aspect of the accounting documents of synthesis." (Gillet, 1988, p.83) The opportunities of developing the creative accounting are given by the entity's possibility to choose among the different accounting methods, by the possibility of

entering into artificial transactions, planning the authentic transactions as well as the tendency to estimate.

A classification of the techniques and procedures of creative accounting may be done starting from the effect that these have either on the results, or on certain balance sheet items, according to the indicators that the entity wants to manipulate:

- "- results account and accounting policy: modification of current result and of net result (amortisations, provisions, stocks, display of expenditures), modification of current result without influencing net result, modification of net result without influencing the current result (investment grants), taxation and accounting policy (activating the expenses)
- results account and management decisions: amelioration of current result (amelioration of manufacturing, attenuating or transferring the losses), amelioration of net result (lease-break).
- balance sheet amelioration techniques: own capitals (assets revaluation, financial collations), permanent loans leasing), the need for working capital and treasury (discounting trade effects)." (Cernusca, 2004, p.403-404).

In order to point out a series of procedures and techniques specific to creative accounting, for exemplification certain aspects concerning the accounting treatment of stocks will be presented.

Stock domain offers plenty of opportunities for subjectivity and creative accounting. Therefore, an error voluntarily ascertained in determining the size of the existent stock at the end of the financial exercise may lead to a "polishing" of result, in the sense that undervaluation or overvaluation of final stock impacts not only the financial situations of current result but also the ones belonging to the next exercise. The entity's management can opt for including or not the dead or obsolete stocks in, respectively from the management of the entity, according to the optimism or pessimism that they manifest. Also, "the different methods of valuating the output stocks lead to different images of the result. Inclusion or non – inclusion of some expenses in the stocks' purchasing cost create opportunities foe subjectivism and creative accounting. Therefore if the entity has the interest of diminishing the result with the purpose of paying a tax as small as possible, then this will eliminate a series of expenses from the production cost. Including financial expenses in the production cost has the effect of increasing the result, and on the other hand the entity can opt for considering the interests as items of expense of the exercise's result." (Cernuşca, 2004, p.406 – 407).

5. Study Case Concerning the Creative Accounting's Procedures and Techniques Referring to the Accounting Treatment of Stocks

Case 1: Treatment of stocks considered as being dead or obsolete

Entity S.C.EXAMPLE S.A., with the activity object – production, had dead stocks of 2000 Ron. The entity has the possibility for either excluding them from the management, or keeping them. The decision affects the entity's result.

Table no. 1 Statement from` profit and loss account`

Nr. Crt.	Indicators	Management opts for excluding the dead stock from the management	Management opts for keeping the dead stock from the management
1.	Fiscal value	56000	56000
2.	Other operating incomes	1600	1600
3.	Material expenses	23000	23000
4.	Other outside expenses	600	600
5.	Staff expenses	17000	17000
6.	Amortisation expenses	500	500
7.	Other operating expenses	2000	-
8.	Operating result	14500	16500

Source: own creation

In the situation when the entity manifests accounting pessimism it opts for excluding the dead stock of 2000 Ron from their management by passing them on expenses. As a result, the entity's result will be diminished by the value of these stocks.

In the situation when the entity manifests accounting optimism it opts for keeping the dead stock of 2000 Ron from their management, thinking that these may be valued in the period when economical recessions take place.

In the balance sheet, the entity's option for excluding or keeping the dead stocks manifests at the level of indicators such as Current assets, Net current liabilities, Total assets minus current debts, Own capitals, their value being smaller in the case of exclusion of these elements.

Case 2: Undervaluation, respectively overvaluation of final stock

Entity S.C.EXAMPLE S.A., with the activity object – production, purchases raw materials at an acquisition cost of 8600 Ron. At the end of the financial exercise it is estimated that the net realisable value is 7000 Ron, in the case of undervaluation, respectively 9000 Ron in the case of overvaluation.

Table no. 2 Determining the stock at the end of he financial exercise

Nr.	Stock	Acquisition	Net realiza	ble value	Stock valu	ue in the	Stock dep	reciation
Crt		cost	estimated on 31.12.N		financial reports			
			Undervaluat	Overvaluat	Undervaluati	Overvaluat	Undervaluati	Overvaluat
			ion	ion	on	ion	on	ion
1.	Raw materials	8600	7000	9000	7000	8600	1600	-

Source: own creation.

In the case of under valuating the final stock, the entity follows the diminishing of the exploitation result. Therefore, according to the regulations in effect, at the end of the financial exercise, the stock will appear in the balance sheet with the value of 7000 Ron, estimated realisable value, at the same time registering an expense with stock depreciation, which will have the effect of reducing the result, implicitly the paid tax.

In the case of over valuating the final stock, the entity follows the increase of exploitation result. Therefore the paid tax by the entity will be higher, but over valuation of the working capital and of current net assets also takes place.

Case 3: Including or not some financial expenses in the production cost of the stocks

Entity S.C EXAMPLE S.A. with object of activity – production, obtains in December 70 pieces of the product A, having productions expenses of 39200 Ron,. As a result of retreating in the management accounting, the structure of these expenses become: variable expenses: 25000 Ron, fixed expenses 14200 Ron. Over the time, 50 of these pieces from A product are being sold at a unitary price of 690 Ron.

The calculus of the production cost using the global method, respectively the direct cost method:

Table no. 3 Comparative presentation of the entity's result according to the cost calculus method

Nr. Crt.	Indicators	Global method	Direct cost method
1.	Incomes from selling the finished products	34500	34500
2.	Stock variation	11200	7142.50
3.	expenses	39200	39200
4.	Result	6500	2442.50

Source: own creation

1. Global method

Obtaining the finished products
Finished products = Stock variation

Discharge management of sold finished products

Stock variation = Finished products 28000

39200

39200 : 70 = 560 $50 \times 560 = 28000$ Stock variation, final creditor balance = 39200 - 28000 = 11200 lei

2. Method of current costs

Obtaining the finished products

Finished products = Stock variation 25000

25000:70 = 357,15 – the cost includes only the variable expenses

Discharge management of sold finished products

Stock variation = Finished products 17857.50

 $50 \times 357.15 = 17857.50$ lei

Stock variation, final creditor balance = 25000 - 17857.50 = 7142.50 Ron

It can be observed that in the case of direct cost method, a smaller result is obtained as in the case of global method, as a result, the entity will pay a smaller profit tax. This fiscal advantage consists only in the delay in time of the tax payment because if in the following month nothing will be produced, and there will only be sold the remaining 20 pieces of A product, a higher result will be registered, in the conditions of applying the direct method.

Case 4: Applying the different methods of valuating the output stocks

Entity S.C. EXAMPLE S.A., with object of activity – production, has an initial stock of 40 products, unitary cost 60 Ron/piece, inputs are 70 pieces, unitary cost 80 Ron/piece. The outputs during the time are 80 pieces. Selling price is 100 Ron/piece.

For determining the result and making a comparison the three methods of valuation the output stock will be made, respectively FIFO, LIFO, weighted average cost.

Table no. 4. FIFO method

Nr. Crt.	FIFO					
1.	Initial stock	40 pieces	60 lei/ piece	2400 lei		
2.	Inputs	70 pieces	80 lei/ piece	5600 lei		
3.	Available for selling	110 pieces	-	8000 lei		
4.	Final stock	30 pieces	80 lei/ piece	2400 lei		
5.	Cost of sold goods	40 pieces	60 lei/ piece	2400 + 3200 = 5600 lei		
		40 pieces	80 lei/ piece			

Source: own creation

Table no.5 LIFO method

Nr. Crt.	LIFO								
1.	Initial stock	40 pieces	60 lei/ piece	2400 lei					
2.	Inputs	70 pieces	80 lei/ piece	5600 lei					
3.	Available for selling	110 pieces	-	8000 lei					
4.	Final stock	30 pieces	60 lei/ piece	1800 lei					
5.	Cost of sold goods	70 pieces	80 lei/ piece	5600 + 600 = 6200 lei					
		10 pieces	60 lei/ piece						

Source: own creation

Table no. 6 CMP method

Nr. Crt.	СМР								
1.	Initial stock	40 pieces	60 lei/ piece	2400 lei					
2.	Inputs	70 pieces	80 lei/ piece	5600 lei					
3.	Available for selling	110 pieces	72.73 lei/ piece	8000 lei					
4.	Final stock	30 pieces	72.73 lei/ piece	2181.90 lei					
5.	Cost of sold goods	80 pieces	72.73 lei/ piece	5818.40 lei					

Source: own creation

Table no. 7 Synthesis picture of the final cost of the stock, of cost of sold goods and of brut result

Nr. Crt.	Indicators	FIFO		LIFO		CMP	
1.	Sells		8000 lei		8000 lei		8000 lei
2.	Initial stock	2400 lei		2400 lei		2400 lei	
3.	inputs	5600 lei		5600 lei		5600 lei	
4.	Available for selling	8000 lei		8000 lei		8000 lei	
5.	Final stock	2400 lei		1800 lei		2181.90 lei	
6.	Cost of sold goods		5600 lei		6200 lei		5818.40 lei
7.	Brut result		2400 lei		1800 lei		2181.60 lei

Source: own creation

Applying the FIFO valuation method leads to obtaining a minimal value of cost of the sold goods, final stock being maximum, therefore an increase of the exploitation result is obtained and implicitly, of profit tax. Applying the CMP valuation method, determines a medium value of the cost of sold goods, final stock also being medium.

Applying the LIFO valuation method leads to obtaining a maximal value of cost of the sold goods, final stock being minimal, therefore a diminishing of the exploitation result is obtained and implicitly, of profit tax. For these reasons, LIFO method is considered as being the optimal method of valuation the output stocks.

6. Conclusions

Due to the fact that the field of stocks is a complex one, and the economical environment in which the entities develop their activity is in a continuous change, accounting professionals are forced to seek different ways to "decorate" the financial reports, due to the fact that the stock domain is a complex one, and the economical environment in which the entities develop their activity is in continuous change, the professional accountants are forced to find different ways to "embellish" the financial reports, therefore being able to influence the size of the stock and the presented result. Concerning dead stocks, the value of the indicators in the balance sheet is lower when these stocks are being taken out form management. The operating result may be increased or lowered according to the entity's decision to over evaluate or under valuate the detained stock. Referring to including or not certain financial expenses in the stocks' production cost, the purpose is the one of influencing the taxation. These things are possible by appealing to techniques and principles of creative accounting, which many times are at the border between legality and fraud.

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Procedure for Exercise Economic-Financial Inspection

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Abstract

Control is at the micro and macro level, an efficient and necessary management function. Through this function the control ensures knowledge and improvement of the way of managing the patrimony and the way of orientation, organization of the production activity, distribution and sale.

Ensuring correctness, accuracy and the reality of information is a major problem of financial and accounting control. By control, the management ensures real, dynamic, preventive information that raises the value of the conclusions and the quality of the decisions taken.

Control focuses on the essence of the phenomenon and effectively contributes to scientific and effective leadership, sees the negative aspects and intervenes preventively for the prevention and liquidation of deviations, shortcomings.

Key words: financial, report, deficiencies, economic operators

J.E.L. classification: G20

1. Introduction

Control is constitutive in that it establishes measures to overcome the shortcomings found and supports management.

The financial control activity determines whether the economic and financial activity is organized and carried out according to established rules, principles and rules. Knowledge and improvement of economic and financial activity implies a scientific research and action pathway, a methodological system with which to reflect reality, equality and efficiency.

Financial control ensures the proper functioning of economic activity, acting to prevent deviations and deficiencies; has the role of preventing expense from being hired without economic justification, fund assets, insuring or increasing profits, etc.

2. Theoretical background: The powers of the economic and financial inspection bodies

The Ministry of Public Finance carries out the economic and financial inspection of the economic operators regarding:

- a) Measures to achieve revenue, reduce costs and reduce arrears;
- b) Compliance with the economic, financial and accounting regulations;
- c) Substantiating and justifying the amounts granted from the consolidated general budget for subsidizing products or supporting certain activities;
- d) Obligations to the general consolidated budget, except for the fiscal ones, according to the legal competences.

The objectives of the economic and financial inspection are:

- a) Increase the economic operators' responsibility in the exercise of economic and financial activity;
 - b) Strengthening the budgetary and economic-financial discipline of the economic operators.

The bodies of economic and financial inspection have the following attributions:

a) Verify the operations of economic operators in order to increase revenues, reduce costs and reduce arrears, substantiate and execute the revenue and expenditure budget;

- b) Verify the accuracy and the reality of the records in the financial and accounting records provided by the law and the acts of incorporation of the economic operators;
- c) Controls the observance of the economic and financial indicators approved by the economic and financial activity budgets, as well as the observation of their reporting;
- d) Verifies the reality of the information contained in the documentation related to the substantiation of the sums granted from the general consolidated budget to support certain activities, as well as in the supporting documents provided by the law for their granting;
- e) To verify with the economic operators how to organize and exercise internal control and preventive financial control;
- f) Verifies how the economic operators, beneficiaries of state-guaranteed or sub-loan able repayable financing constitute and provide the sources of repayment and payment of interest, commissions and / or other costs related to the reimbursable financing;

3. The procedure for the execution of the economic and financial inspection

The economic-financial inspection shall be carried out at the premises of the economic operators or of the economic-financial inspection body, separately or in combination, in the following forms:

- a) Ex-ante control consisting in verifying the substantiation of economic operators' revenue and expenditure budgets, substantiating the sums granted from the general consolidated budget in support of some activities, as well as in the verifications regarding the establishment and insurance of sources of financing repayable or guaranteed by the State;
- b) The operative control, which consists in the verification of certain economic-financial activities or operations carried out during the current financial year; it can also be extended to other relevant ongoing operations;
- c) Ex-post control (subsequent), which consists in verifying the activity of the economic operators in accordance with the provisions of this Emergency Ordinance, related to the financial years concluded. Ex-post financial control is carried out at the request of the public authorities responsible for control over the formation, management and use of the financial resources of the state and of the public sector. In all cases where ex-post financial control actions are carried out, a copy of the control document drawn up, together with copies of the recovery documents, shall be sent to the authority requesting the verification. (Roman C., 2004)

The economic-financial inspection may apply the following control methods:

- a) General economic and financial inspection, which consists of the verification of all operations within the objectives set according to the law for the entire period under control;
- b) Partial economic and financial inspection, which is the activity of checking one or more operations within the objectives set for the controlled period.

In carrying out their duties, the economic and financial inspection bodies are entitled:

- a) To have unrestricted access to registers, records, documents and other documents and to request certified copies thereof, necessary for the economic and financial inspection;
- b) To carry out checks in the premises and in any other premises in which the activity is carried out, in the presence of "the legal representative of the economic operator or a person designated by him:
- c) To benefit from the economic operators controlled by adequate workspaces and adequate logistic access necessary for the proper conduct of the economic-financial inspection, provided such facilities exist;
- d) Request information and explanations, verbal and / or written, related to the subject of the economic and financial inspection;
- e) To request the presence of the legal representative of the controlled economic operator or of another authorized person at the premises of the economic-financial inspection body; with the request, as the case may be, also the documents which he is obliged to present;
- f) To establish the obligations stipulated by the law within the limitation period for the economic operators subject to the economic and financial inspection;
- g) To request the carrying out of the expert examinations or other specialized controls necessary to complete the economic-financial inspection. Expertise is part of the documentation and substantiation of the economic-financial inspection report;

- h) Require other public authorities to provide information and documents related to the economic operator subjected to the economic and financial inspection;
 - i) To verify the manner of fulfilling the measures ordered by the financial administrative act;
- j) To notify the criminal prosecution bodies about the finding of facts that could assume the constitutive elements of an offense under the conditions stipulated by the criminal law;
- k) To carry out documentation, analysis and follow-up of the implementation of regulations to economic operators.

The economic and financial inspection bodies are entitled to establish, within the limits of their powers and competences, the relevance of the financial statements and to adopt the solution permitted by the law, based on complete findings on all the edifying circumstances in question. (Şaguna Drosu D., 2016)

The right of the economic and financial inspection body to establish obligations for the economic operators shall be prescribed within 5 years from the end of the financial year

The period undergoing the economic and financial inspection starts at the end of the previous verification period of the same nature and with the same objectives. If the economic operator has been audited by the Court of Auditors, the objectives pursued by the external public auditor can no longer be subject to the economic and financial inspection.

In case of deviations from the legality, which come from the financial years preceding those that were checked and which were not subject to previous control, the period submitted, the economic-financial inspection may extend to them.

The financial control procedure consists of a set of acts and operations concerning the organization, development and capitalization of the results of the control action.

The results of the control action are determined precisely by the way of programming and organization, thus ensuring the order of work. The procedure for financial control is based on a well-defined plan, in a certain order, which can be grouped into six steps. (Saguna Drosu D., 2011)

The first stage consists in the preparation of the financial control team, by informing and documenting the legal provisions regarding the specificity of the unit to be controlled, the normative acts with economic-financial character, the analysis of the previous control acts, the measures taken after the verifications, the notifications made by the financing bank, those of the enterprises with which it has economic links. The training of the control team plays an important role as it gives the opportunity to establish the basic problems and to ensure the quality of the control.

The second step is the presentation at the unit where the control is to be carried out. Control bodies require the management of the unit to support the control in good condition by providing all the necessary materials.

The third stage corresponds to the organization of the control team's activity. Following the findings of the information, the documentation, a working plan is drawn up which foresees the objectives included in the control topic, the methods used, etc. The better the plan is, the higher the quality of control.

Another stage is the carrying out of the control action, which consists in the actual verification of the acts and operations, the legality, necessity, opportunity, economy and realization.

Control is primarily based on accounting records but is not sufficient, so other non-accounting documents and records are also controlled. By the thematic control of documents and records a complete picture can be obtained on the content of the operations and economic processes of the controlled unit. However, economic processes are clearly reflected in the synthetic and analytical indices included in the revenue and expenditure budgets. (Şaguna Drosu D., 2000)

Control bodies, in the event of fraud, embezzlement, lack of management, or if the documents are dubious, cross-checks must be carried out. For this it is necessary to raise the researched documents, leaving children for them. It is very important that the documents be picked up immediately so that they are not changed or destroyed.

During control, if deviations are detected, committed consciously or unconsciously, guilty persons will be required to provide explanations in connection with that issue.

Another stage consists in the drafting of the control documents, which consist in substantiating the conclusions, the findings and the proposed measures, the presentation of the violations and the legal provisions violated, the responsible persons, their position in front of the control team, the

opinion of the control team and the definitive conclusion. At this stage, the findings made during the control, the acts being done all the while, and not at the end of the control, are finalized, it will make it difficult to capitalize on the acts.

The last step consists in capitalizing the controlling action, which results in the taking of the measures and the follow up of the executions by the controlling unit as a result of the findings made in the documents.

Exploiting the results is primarily intended to address the deficiencies. For this, a plan of measures will be drawn up, and the control bodies will have the task of providing the necessary support to the unit in order to achieve it.

We can conclude that if all these moments are taken into account in the control, it will have the desired efficiency, finding the shortcomings in time, ensuring that the required measures are taken in an operative manner.

4. The acts of financial control

Control activity in the end involves the inclusion of the findings of control bodies in some documents. These documents, both in form and in structure, are either established by the specialized control bodies for this purpose or are left to the discretion of the inspection bodies.

The findings established following the check are recorded in: the control report, the act of finding the contraventions, the note of the presentation of the control report and the note of the report's conclusions.

The control report is the main control document that includes the deficiencies and deviations found, as well as the causes and consequences for the good management of the controlled unit.

This document is drawn up in chapters, in a chronological order, consisting of an introductory part, which contains the name of the control body, the controlling unit, the delegation on which the control was carried out, the stage of the implementation of the recommendations as a result of checks carried out previously, the period of control. The next chapter will list the deficiencies found in the activity of the unit, grouping on issues corresponding to the controlled objectives. For each deviation and deficiency found, it is indicated: the legal acts infringed, the persons responsible, the causes, the consequences thereof.

The control report records only the findings of the control team, based on precise data and facts, clearly and concisely presented in the document. The report does not record the personal opinions of members of the control team. (Văcărel I., 2007)

In the last part of the control report, it is stated that the control has been completed and all the documents used by the control body have been returned, it is shown how many copies have been signed and signed by the control body and the management of the controlled unit.

If there are facts that bring criminal liability, a separate act is signed that is signed.

Various documents such as: statements, tables, acts, explanatory notes, minutes of finding and sanctioning the contravention are annexed to the control report.

Explanatory notes shall be drawn up in the event of deviations or fraud giving rise to legal liability. These acts are prepared in response to the questions of the control bodies, which are given by the persons considered responsible for deviations and by other persons who can clarify the causes and circumstances that caused the non-observance of the normative acts. As a result of these notes, the findings of control are finalized.

The minutes of finding and sanctioning the contravention are terminated by the control team when there is a violation of normative acts regarding the financial discipline by the personnel in the controlled unit. It includes data on the committed facts, data on the responsible employee, the amount of the amount imposed as a fine, a time limit may be granted to remedy the deficiencies found, the identity and signature of the witness or the confirmation body's confirmation that it was concluded in the absence of witnesses.

This act is concluded in three copies as follows: one is handed over to the offender, another to the control body that handled the case, and another to the structure that executes the fine.

Note for the presentation of the control report is a personal report of the inspection body, with conclusions and proposals regarding the deviations, which will be attached to the control documents concluded.

If the inspection does not reveal any deficiency or unlawful fact, a control report is not concluded but a statement of the conclusions of the inspection, stating the objectives and the controlled documents.

Other situations that can not be recorded in the control report, such as: the presentation of the main positive results obtained by the controlled unit and which can be generalized in other units may also be present in the exposure note.

The way in which these control documents are presented is of particular importance, and it is up to them to remedy the deficiencies and to take measures to improve the activity of the controlled unit. For better finality of control, control body acts must be clear, complete, concise, objective, based on facts and documents controlled.

5. Conclusions

The economic and financial inspection is the control activity that verifies the implementation of the measures for increasing revenue, reducing expenses and reducing arrears, observing the economic and financial regulations and accounting, as well as substantiating and justifying the amounts granted from the budget generally reinforced for subsidizing products or supporting activities, fixing errors and deficiencies in the economic and financial activity in order to remedy them and avoid them in the future, as well as establishing the obligations to the general consolidated budget, except for the fiscal ones;

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Considerations on Hedge Accounting of Bank Loans

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Abstract

The credit brokerage market in Romania exceeds 1.5 billion lei, or 5-6% of the total retail loans granted by banks. However, if we withdraw from this total the loans granted through the First Home Program, the share of loans granted by brokers rises to 9-10%, according to market data, one of the most active brokers on the market. In other countries, this share rises to 60% for the UK and the Netherlands, or 14% for Belgium. The volume of loans brokered by intermediary brokers was in excess of 700 million lei in 2016, according to the most recent estimate of the Romanian Credit Brokers Association (ARBC). As the members of the association account for about half of the market, the total volume of the market reached about 1.5 billion lei in the same year, ie 5-6% of the total retail loans granted by banks.

Key words: bank loans, hedge accounting, trends

J.E.L. classification: M41, G32

1. Introduction

During the financial crisis banks turned less to credit brokers for the brokerage industry to return to pre-crisis brokerage volumes (<u>www.arbc.ro</u>).

Noteworthy is that during the financial crisis the banks have appealed less to credit brokers for the brokerage industry to return to the pre-crisis brokerage volumes. In the crisis, the brokerage business followed the trend imposed by banks, with brokers specializing more and more in refinancing.

2. Theoretical background of hedge accounting of bank loans

Brokers and banks have become preoccupied not only with the sales target, but also trying to become a financial consultant for the customer, delivering tailor made products, which involve a minimum risk on both sides (debtor-lender). Against the backdrop of rising sales on a healthier basis, and the confidence of banks in credit brokers has returned. In 2009, the brokerage market declined almost 6 times compared to the previous year, amid the slowing of credit The volume of intermediate loans fluctuated in the period 2009 - 2012, so that in 2012 it will grow steadily (www.arbc.ro). Year 2016 was the best year for credit intermediaries. The figures in the table below are estimates of Credit Bonus on the brokerage market starting from ARBC reporting and the results reported by market leaders during the crisis, results that were corroborated by the share they held constantly in the market (www.arbc.ro).

It should be borne in mind, however, that over the past years, about 4-6 billion lei of the new loans were loans through the First Home Program. If we withdraw these loans (First Home), it can be estimated that credit brokers hold about 9-10% of all new retail loans offered by banks (ie consumer loans and standard mortgages) (www.arbc.ro).

3. Evolution of the banking brokerage market - empirical aspects of research

Although the brokerage market as a whole accounts for only about 9-10% of total retail sales, banks do not cooperate in proportion to brokers. Some lenders rely heavily on this sales channel, taking the model of Western European banks (www.arbc.ro).

In the years of the boom in real estate lending in Europe, with 3 before the financial crisis (2005), in the largest European states, credit brokers and financial advisors (representing the banks' indirect sales channels) accounted for about 40% of total mortgage retail sales, according to reports by financial management consultancy firms (KPMG, 2014). Thus, the brokerage industry was expected to grow in Europe by 10 percentage points over five years (2010), thus reaching a share of 50% of the total mortgage loans sold by European banks. At the same time, the report estimated that the share of mortgages sold through indirect channels, particularly through credit brokers, will reach 60% of the total in 2020 (www.arbc.ro).

With the onset of the crisis, the brokerage business has fallen in tune with the credit market, with banks focusing mainly on their own sales channels in order to mitigate the risk. As the banking and brokerage industry aligned with the new risk prevention requirements, we witnessed a revival of these markets in Europe, but also in Romania. An example of the evolution of the European brokerage market during the crisis is the United Kingdom, where credit intermediaries hold the largest share of total mortgages traded. Market data showed how the brokerage market went into rebound, suffering a fall of about 67% on the back of the crisis, so that brokers would come back with the lending industry. In 2012, most of the loans were contracted through bank branches (www.arbc.ro).

Against the backdrop of the prolonged crisis, many banks have reduced their sales networks, and new regulations on the real estate lending market have become almost prohibitive for prospective borrowers. Following the implementation of the new credit granting rules imposed by the Financial Services Authority, an interview for accessing a real estate loan takes just two hours. Many potential borrowers failed to break the new requirements barrier. However, brokers centralized most of the mortgage offerings on the market (Nicolae, 2010).

By appealing to the broker and not directly to the bank branch, the client was more likely to find an affordable credit. That's how it is that in 2014, UK loan brokers again came to intermediate about 60% of mortgages. After one year, the percentage exceeded for the first time 70% of total new mortgages, reaching 71% in the second quarter of 2015, with a loan volume of 28.8 billion pounds, according to reports available on market, 67% of the 164,000 clients who approached a credit broker during this period qualified for a loan (www.arbc.ro).

4. Survey of the specific developments in the credit market in Romania

Romania has proved to be an avid residential real estate market in recent years, although we have one of the highest ownership rates in terms of number of homes in the EU. Demand for housing is high, however, given the relatively poor quality of living spaces. There are all prerequisites for this demand for housing to exist in the coming years, given the relatively low house prices and accessibility of loans, with interest rates on loans still low. In addition, real estate loans have associated a minimum risk and therefore banks are interested in crediting this segment. In Romania, the credit brokerage market is constantly changing, with credit brokers currently accounting for around 9-10% of all new loans granted by banks (www.arbc.ro).

Both banks and customers are increasingly appealing to these intermediaries, especially for mortgage / mortgage lending. Banks are attracted by these collaborations due to the prospect of lowering sales force costs, but especially to increase sales. There are already banks on the local market for which 30-50% of total retail sales come from alternative channels. On the other hand, potential borrowers have understood that if they call a broker they will have free access to the best loan on the market, giving brokers a comparative analysis of current offers (Nicolae, 2015).

Until 2008, the overwhelming share of loans to households accounted for personal loans (around 75% of the total), with mortgages accounting for only a few tens of percent of the total. Throughout the crisis, loans backed by real estate collaterals have increased steadily, being the only product whose hip increased by more than ten percent from year to year. Evolution is explained by

the fact that banks have focused on these safer products, wanting to eliminate some of the credit risk. In 2008, the balance of mortgages was 20.89 billion lei, in order to reach almost three times the value of 58.44 billion lei in 2016 (www.bnr.ro).

Between 2007 and 2016, there is only one year in which mortgage credit rose by less than ten percent - 2014. In the years to come, increases were between 10 and 19 percent. Currently, in the case of major players in the banking market, such as BCR and BRD SocGen, mortgages have significant percentages in the total volume of loans, with the net balances reported by the two banks at the end of 2016 being 12 and 10 billion of lei, both of which had a significant share of loans at First House (65% - BCR and 70% - BRD) (www.bnr.ro). As a matter of fact, the launch of First House program has allowed sustained housing credit growth during the crisis, with clients applying for a 5% down payment, while being the cheapest mortgage loan. But we are talking about a product that generates small earnings for banks due to small margins, and also a product that the state will give up gradually, as the level of guarantees granted was lower.

Year 2016 was the peak year for First House Program supported by the Government, with guarantees amounting to more than 3.2 billion lei. 2017 is already the first year in which the initial ceiling of 2.5 billion lei was not supplemented in the autumn, although it was exhausted and the demand was overwhelming. For 2018, the state announced that it will provide guarantees of only 2 billion lei, which would reduce the total volume of loans that can be accessed up to 4 billion lei, the lowest level in the last 6 years. To meet high demand, players in the real estate market will have to increasingly rely on their own mortgage lending (www.bnr.ro).

5. The observation of the risk associated with mortgage loans is the most healthy segment of bank portfolios

The brokerage companies focused on the intermediation of real estate loans, which are intended for the purchase of dwellings. These loans have proved to be a healthy segment of banking portfolios along the crisis, generating an insignificant rate of bad loans. In the years 2013-2014, when the average share of non-performing loans at the level of the Romanian banking market was 15-20%, the share of non-performing real estate loans represented less than one third of this percentage (www.bnr.ro). Over the crisis, the highest non-performing loans rates were generated by consumer loans with or without collateral. The difference between the evolution of the two types of loans is evident when we analyze the banking outcomes of the crisis years. According to the data provided by the National Bank in its reports on financial stability, unsecured consumer credits have generated much higher rates of non-performing loans in relation to real estate loans. In the last five years, the rate of non-performing consumer loans was between 8.5 and 13.6%. Over the same period, nonperformance generated by real estate loans accounted for between 2.6% and 4.9% of the portfolio (www.bnr.ro). The decline in bad credit spending rates in recent years has mainly occurred on the backdrop of outsourcing, while real estate loans have remained in bank portfolios. Between 2014 and 2016, the value of outsourced consumer credits was around 3.5 billion euro (www.bnr.ro). Also, real estate loans generated far fewer bad loans than mortgage consumer loans. Between December 2008 and June 2010, the mortgage-backed consumer credit default rate rose from 0.8% to 5.9% to reach 10-15% in 2011, 2012 (www.bnr.ro). During this period, the rate of nonperforming real estate loans was below 6%. At the same time, at the end of 2015, the nonperforming rate of mortgage-backed consumer loans was 12.43% and real estate loans only 2.64% (www.bnr.ro). The difference was noted by the National Bank of Romania (NBR) in its stability reports, which pointed out that the gap between the mortgage-backed mortgage-backed mortgage loan and real estate loans ratio reached 4.8 percentage points in June 2011, from 1.5 percentage points in December 2009 (www.bnr.ro). The evolution led to the approval by the NBR of Regulation 17/2012 imposing stricter conditions for the granting of consumer mortgages by setting an advance of at least 40%. Banks such as BRD have taken out these loans on the offer, focusing on lending (www.bnr.ro).

6. The observation of the brokerage activity in financial intermediation

The brokerage activity in financial intermediation has already been around 15 years in Romania, in 2003 being founded the first such company, Gemini, which later became Kiwi Finance (www.arbc.ro). Prior to the financial crisis, during the crisis and afterwards, credit brokers constantly provided clientele to commercial banks. The service, which facilitates a potential borrower's access to a bank loan, is offered to borrowers free of charge, and the lender has to pay a modest commission once the client is accepted in the portfolio (IASB, 2014). In the broker-credit collaboration, the client's risk degree is analyzed based on the same parameters as if the client had co-opted through the bank's sales force. Practically, the client goes through the same risk filters as a potential debtor who addressed the bank directly, the credit being granted after applying the scoring and checking the client's eligibility by the bank (IASB, 2014). The main benefit of a credit broker's collaboration with a credit broker is the increase in sales and the prospect of lowering the cost of its own sales force in the retail segment (www.arbc.ro).

In this way, branch staff can focus on loan analysis for SMEs or micro-enterprises. In the US, retail credit sales were almost entirely outsourced to credit brokers, with around 90% of retail clients in the bank's portfolio coming through this indirect sales channel. In Western Europe, the percentage is about 40%, and in Romania only 9-10%, but steadily increasing (www.arbc.ro). The higher degree of financial education of the population in Western Europe and the US determines potential borrowers to turn to credit brokers, which can offer them a comparative offer of all products on the market. Unlike in Romania, where the service is offered free of charge to potential debtors, most Western European states and the US pay a commission. In the UK, for example, the amount of the commission is around 0.35% - 0.4% of the loan (www.arbc.ro).

The activity of brokers is supervised by the National Authority for Consumer Protection. GEO 52/2016 on credit agreements for real estate consumers, an ordinance transposing European directives in the field of credit intermediation, stipulates the conditions that brokers have to fulfill in order to carry out their activity. The regulatory act stipulates that a credit broker must meet the minimum knowledge and competence requirements, respectively to have adequate knowledge of credit products and accessories normally provided with them; adequate knowledge of consumer credit legislation, including in the field of consumer protection; adequate knowledge of the process of acquiring real estate and understanding it; adequate knowledge of the valuation of guarantees; adequate knowledge of the organization and operation of land registers .

The same ordinance imposed on brokers the conclusion of professional liability insurance with a coverage of EUR 460,000 for each individual damage and EUR 750,000 for all claims for damage in a calendar year (www.arbc.ro).

7. A case study of accounting aspects of equity instruments classified as financial assets at fair value through profit or loss (FVTPL)

On November 20, 2018, an entity purchases 1,000 shares at the price of 8,000 m.u. (monetary unit) per share. Trading costs represent 1% of the value of the purchased shares (Nicolae, 2010).

According to the entity's policies, it intends to trade the shares in the near future, aiming at achieving short-term profit from these operations, and classifies the shares acquired in the financial assets at fair value through profit or loss (FVTPL) category (Nicolae, 2010). The accounting account used (as proposed in the IFRS accounting plan) to exemplify the accounting records was selected based on the formulated assumptions (Nicolae, 2010).

The acquisition is quoted on a regulated market and the entity has concluded, according to its policies, that the market is active and that it is also the primary trading market, in accordance with IFRS 13 (Nicolae, 2015).

Accounting records

(Author processing)

Registration of the acquisition of shares:

Debit Quoted shares held for trading 8,000,000

Credit Payments to be made for other short-term financial investments 8,000,000

Record of transaction costs:

Debit Expenses on fees payable for securities trading on the regulated market 80,000 Credit Payments to be made for other short-term financial investments 80,000

Payment of expenses:

Debit Payments to be made for other short-term financial investments 80,000 Credit Bank account 80,000

Payment of debt on purchased shares:

Debit *Payments to be made for other short-term financial investments* 8,000,000 Credit *Bank account* 8,000,000

Accounting records as at 31 December 2018

At December 31 2018, the share price dropped to 6,000 m.u., and the fair value of the stake was 6,000,000 m.u.. The registration is:

Debit Losses related to financial assets and liabilities held for trading 2,000,000 Credit Quoted shares held for trading 2,000,000

Accounting records on January 31, 2019

On January 31, 2019 the share price increased to 12.000 m.u. . As a result, a gain of fair value differences on the share of the shares held will be recorded, amounting to m.u. 6,000,000 :

Debit Quoted shares held for trading 6,000,000

Credit Gains on financial assets and liabilities held for trading 6,000,000

Accounting records on 29 February 2019

On February 29, 2019, the entity signs a share sale contract at a price of 13,500 m.u. . The selling price is equal to the market share quote valid for the date of sale.

Recording of the valuation at fair value:

Debit Quoted shares held for trading 1,500,000

Credit Gains on financial assets and liabilities held for trading 1,500,000

Registration of sale of shares:

Debit Debtors from transactions for own-account transactions on the regulated market 13,500,000

Credit Quoted shares held for trading 13,500,000

Subsequent collection of due amounts:

Debit Bank account 13,500,000

Credit Debtors from transactions for own-account transactions on the regulated market 13,500,000

This example illustrates the two-step sale (fair value measurement followed by actual sale). When implemented in practice, entities may also consider other accounting records alternatives as long as there is a fair presentation of the results in profit or loss and in the statement of financial position.

8. Conclusion

In my opinion, the hedge accounting is an important tool for bank / credit entities in the Romanian economy. In the actual period, the chances of a sustained increase in the operations thru hedge accounting is a modern alternative for bank entities.

I consider that accounting for hedge operations of credit institutions resulting from the sale or purchase of equities with a fair value recording is a complex chapter in continuous development under the influence of global financial and banking volatility.

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Analysis of EU Budget Revenues through Fiscal and Budgetary Policy over the Period 2013-2018

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Abstract

The European Union's budget is the document authorizing yearly financing all activities and community interventions and translates political guidelines and priorities in terms of resource constraints.

Fiscal policy acts on economic growth and acceleration measures for recession economies. Negative effects can only be eliminated by harmonizing fiscal policies. Even if a current budget is lower than a previous budget, it should be more flexible.

The main purpose of this paper is to analyze the evolution of the European Union budget. This analysis is important for the European economy, so for the Europeans because the more flexible the budget and the priority needs, but also the wishes of the people, the more they are satisfied and the migration rate will start to decrease.

Key words: budget, fiscal policy, budget policy, revenues, expenditures

J.E.L. classification: H31, H60, H61

1. Introduction

From a historical point of view, the notion of budget was first introduced in the UK in the 17th century, and then expanded to the other European countries since the nineteenth century. The word is of Anglo-Saxon nature. In Europe, the term became officially in the nineteenth century under different names: Haushalsetat or Haushaltsplan in Germany, Preventivo or di bilancio in Italy. The state budget is an essential category of finance in defining a legal and economic approach. By budget, the revenues and expenditures of the state are expressed in terms of value in a manner similar to the documentation carried out at the level of the companies that follow the financial equilibrium.

The state budget is not only a document approved by law, it is also a benchmark indicating the extent to which the state is involved in the economy, as well as a degree of capacity of the national economy to contribute to the consistency of state-owned financial resources and how they are managed. At the state level, the budget is an account showing how much the state spends and how public spending is financed.

This work is based on a linear analysis of the evolution of the European Union budget, its trends and changes during the analyzed period, which implies the use of appropriate econometric methods. This methodology allowed analysis of the evolution of the European economy. This can be considered favorable, a prerequisite based on the public financial system which through budgetary policy and the mechanism of redistribution of public financial resources directly influences the economic growth, ensures the achievement of the objectives of stimulating the economy, raising the standard of living and poverty alleviation, social protection.

2. Literature Review

In order to draw up the budget, some financial issues need to be taken into account by imposing and observing binding budgetary rules or principles. These principles were developed in the nineteenth century by the classics, considering Adam Smith's theoretical formulations, as well as a Scottish philosopher and philosopher who was considered to be the father of the modern political economy because of his treaty: Research on the nature and causes of the nation's wealth (Communication from the European Commission EUROPA 2020, 03.03.2010).

The evolution of the European economy can be considered favorable, a premise formed on the basis of the public financial system which through budgetary policy and the mechanism of redistribution of public financial resources directly influences the economic growth, ensures the achievement of the objectives of stimulating the economy, increasing the level of living and reducing poverty, social protection.

In the first part of the paper there are theoretical notions and definitions about the state budget, fiscal policy and fiscal policy, some ideas to outline the role and significance of each of them in the analysis.

In this work we performed an analysis of the evolution revenues EU budget analysis conducted during 2013-first quarter of 2018 describing the revenues each year in terms of value and their evolution over the period Menton .

We also analyzed the evolution of European Union spending in the 2013-13 first quarter of 2018, an analysis of the expenditure per year of that period and a comparison in the order of the years and the evolution of total EU spending over the period.

2.1 Fiscal policy - some ideas to shape its role and significance

The fiscal policy is the State's view, measures and actions on taxes and their role in revenue generation and financing of budget expenditures, types of taxes, perceiving and using as a tool to stimulate economic growth (Manolescu G., Picu A., Rotaru A., 2011).

The state through fiscal policy is considering a series of economic coordinates, especially demand for goods, income. Activities are mediated by the level of public spending and investment, which can relaunch economic growth. The most important objectives of fiscal policy are in the economic development and development of the middle class. The application of tax laws in practice ensures the correct functioning of the fiscal mechanism and the achievement of tax receivables is achieved with specialized state bodies and with the work of some tax specialists, initiated in accordance with the rigor of taxation on the national and international level.

2.2. Budget policy and its flexibility

The budget policy is the state's actions in relation to budget revenues and expenditures, ways and means of mobilizing revenue, types and sizes of spending where interference and instability intervene, economic recovery. It is based on legal provisions establishing sources of income, the purpose of their use on expenditure targets, regulations of the financial year.

In the genuine economy, the states used the fiscal policy to combat the crisis and to stabilize the economy.

The anti-crisis orientations of the state's fiscal policy are noted in the 1930s and take into account the Keynesian conception of state intervention in the economy.

3. Analysis of the budget revenues of the European Union through fiscal and budgetary policy

At the level of the net net sugar levies and net customs duties, which make up the net total of traditional own resources, there was a significant decrease in the first three years, then a favorable evolution was recorded, the value of these resources increasing over the past 3 years by approximately 35.76 %.

The costs of collecting traditional own resources have not evolved in one sense over a certain period of time, with values having different trends each year, but with a slight propensity for growth (The conclusions of the Brussels European Council, 25-26 March 2010).

VAT-based resources grew by about 25.16% over the period 2013-2016, then fell sharply in 2017 by about 11.76% in 2017 with a slight increase in 2018.

GNI-based resources are showing a significant increase in 2015, maintaining their position in 2016, but with a strong downturn in 2017 by about 10.6% reaching 2018 in 2013.

The EU budget still accounts for a small share of total EU public spending, ie less than 1% of EU revenue and about 2% of public spending. The percentage has fallen over time putting a lot of pressure on the budget to make it more efficient, focusing on the areas where it has a very strong impact, and leaving the procedures and rules cumbersome to prevent results.

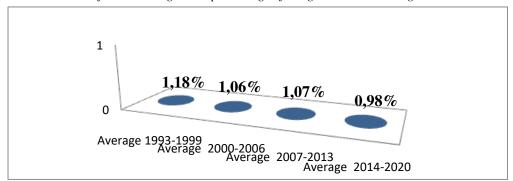


Figure no. 1 The size of the EU budget as a percentage of the gross national budget

Source: file:///C:/Users/computer/Desktop/reflection-paper-eu-finances_ro.pdf

The composition of the EU budget has evolved over time, with the proportion of agricultural and cohesion spending falling and still accounting for more than 70% of the total, with expenditure focusing more on research, external action, trans-European networks and programs managed at European level.

The EU budget also supports the European response to the refugee crisis, threats to organized crime and terrorism. The amount of funds allocated to migration and security has been doubled to support border police, coastguard services at European level and to help Member States with a large influx of refugees. The response to these crises was a test to test the limits of budget flexibility.

The number of challenges faced by the European Union is increasing and the pressure on the EU budget and national budgets is greater. It is necessary for the EU budget to play an important role in long-term challenges such as climate change, migration, cyber security, defense, terrorism, increasing productivity and investment at a slow pace and demographic change.

There have been developments in how to finance the EU budget. The European Union can not borrow as opposed to national budgets but relies on 'own resources' funding, which is divided into three categories: Member State contributions based on the level of each country's income measured by gross national income (GNI), tax contributions on value added tax (VAT), the customs duties levied at the external borders of the European Union.

About 80% of the EU budget is financed by national contributions based on gross national income and value added tax. GNI-based contributions are considered fair because they reflect adequately each Member State's relative payment capacity and customs revenue is regarded as an authentic own resource because it is a revenue generated by the common commercial policy that supplies the EU budget.

Over time, a number of corrections and adjustments have been introduced since some Member States have considered excessive contributions compared to the benefits they receive from the EU budget, so the current funding system for the EU budget is from increasingly opaque and more complex.

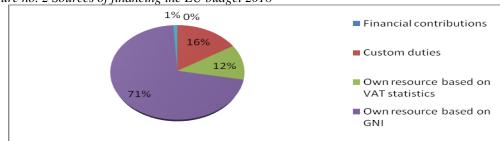


Figure no. 2 Sources of financing the EU budget 2018

Source: file:///C:/Users/computer/Desktop/reflection-paper-eu-finances ro.pdf

This system, largely reinforced by Member States' contributions, has reinforced the misperception that the value of the EU budget share for a Member State can be measured by the net balance of paid-in contributions and funds received, thus ignoring the essence of an upgraded EU budget, results from the pooling of resources but also from achieving results that could not have been achieved through uncoordinated spending at European level. In the broader sense, these economic gains are often ignored, just like the added value of belonging to the largest economic space, to the most important commercial power in the world.

In order to be successful in improving the effectiveness of the EU budget, it should also look at how revenue contributes to EU priorities, withdrawing the UK and removing the budgetary corrections to that country would remove some barriers to reform on the revenue side of the EU budget.

The EU budget has been complemented by new mechanisms, instruments and institutions to respond to different needs, some of which are out of the budget and are not subject to the same rules. Thus, additional funding is provided by the European Investment Bank and other bodies based on intergovernmental agreements such as the European Development Fund which is linked to the special partnership with Africa, the Caribbean and the Pacific. EU Trust Funds have been created as well as other facilities aimed at pooling the funds provided by the EU budget, Member States and other donors to smooth out external crises. Extensive financial architecture has allowed the European Union to mobilize additional funds while enhancing the complexity of EU finances.

4. Analysis of the expenditure of the European Union budget in terms of fiscal and budgetary policy

In 2013 there was an increase in the total EU expenditure of 2.1% compared to the total expenditure in 2012.

Also in 2013, the European Union has placed the emphasis on sustainable growth, ie economic growth and employment, thus attempting to influence in a favorable way the development spending the most money in this direction, namely 70600 million euros accounting for 46.7% of total spending on EU policies in commitment appropriations.

The next major expenditure in terms of value is the conservation and management of natural resources with EUR 60,100 million, money allocated by the EU for this area and where most money has been allocated to the agricultural market, namely EUR 43700 million, other significant expenditure this branch being linked to rural development with 14800 million euro and environmental and fisheries development. This represents 39.82% of the total expenditure of the European Union (The conclusions of the Brussels European Council, 25-26 March 2010).

Significant expenditure in terms of value has also been seen in spending on citizenship, freedom, justice and security, with \in 2100 million, or 1.39% of the total, spending on preaccession, development cooperation, democracy and human rights, with the foreign policy and the common security with 9600 million euro, ie 6.36% of the total, and the administrative expenses also have a fairly high value, ie 8400 million euro, ie 5.56% of the total EU spending.

The amount of spending may vary from year to year according to the needs of the population and the deficient industries at that time. The European Union institutions are always focusing on the deficit and the most rapidly developing and sustainable growth categories.

In 2014, the European Union's total expenditure declined by 10.03% compared to the total expenditure in 2013, and in 2015 its value increased by 1.84% compared to 2014.

In 2014 and 2015 the European Union focused on smart and inclusive growth, economic growth and employment, economic, social and territorial cohesion, with very high values of 52756 and 77986 million euros, representing 38.85% respectively 47.85% of the total EU budget expenditure.

The second major expenditure category in terms of value is the sustainable increase of natural resources by 49857 and 64692 million euro respectively, money earmarked by the EU for this branch with the aim of expanding markets, rural areas and especially for encouraging and developing agriculture. They represent 36.72% and 39.69% of total EU spending in 2014 and 2015, respectively.

The expenditure amounts have increased considerably in 2015 to 2014 in areas of particular interest for the EU and for the general population.

Competitiveness for growth and jobs, economic, social and territorial cohesion still occupies the first place among the total expenditure of the European Union, with an annual increase of 20.5% in 11.56% and 2017 by 17, 53%, blurring that the European Union is acting to achieve its economic goals and performance.

In 2016, a substantial increase is also seen in spending on natural resources of about 6.25%, which is very close to the cost of economic growth, but decreases by 6.24% in 2017 creating a difference between these chestnuts major but not very accentuated. There is an increasing emphasis on the development of agriculture, rural areas, the environment accounting for large percentages of total EU spending of 41.52% in 2016 and 38.67% in 2017.

Expenditure on security, citizenship, freedom and justice in the years 2016 and 2017 showed very high increases compared to the values in 2014 and 2015, which shows that the European Union has developed this branch for the safety of the population. The growth rate is 88.75%.

In 2017, the most significant decrease of the administrative expenditures was recorded by 80.71% compared to their value in 2016 and the previous years.

A further decline in value was also seen in spending on pre-accession, development cooperation, democracy and human rights, with foreign policy in the year 2017 of about 83.64%.

Expenditure figures have increased considerably in 2016 and 2017 in the first areas of particular interest to the European Union and have fallen to the other so highlighting the areas on which development is most emphasized.

Compared to 2017, the EU-approved budget for 2018 shows a 54% increase in payments for the Cohesion Policy.

In this way the budget allocated enough money to pay invoices received from Member States on cohesion funds spending.

The European Union is devoting more and more money to tackling youth unemployment, innovation, research, and security.

Support for European farmers for agricultural development is also rising this year to € 60 million, or 37.78% of total EU spending in 2018.

The only cut this year is the pre-accession funds that were earmarked for Turkey by 105 million euros, and 70 million euros are put in reserve.

The allocation of \in 3.7 million has been increased in terms of security and the fight against the migration crisis.

The EU Budget of 2018 also provides for the launch of a program that grants a free European train ticket for one month in European countries for every 18-year-old who wishes to visit Europe. Initially, the program receives 12 million euros for the next year.

They allocated 4.9 million euros from the EU budget to combat disinformation, propaganda coming from the Russian Federation and is scheduled to start funding of 1.1 million euros this action, and allocate 3 million euros the European Commission communication in relationships and

especially for the Eastern Neighborhood and the Western Balkans. At the same time, EUR 800 000 is allocated to the European External Action Service for strategic communication tools.

Through these measures, the European Union shows that from 2018 strategic importance will be given to combating disinformation and propaganda at European level.

5. Conclusions

The state budget is not only a document approved by law, it is also a benchmark showing the extent to which the state is involved in the economy, as well as a degree of national economy's ability to contribute to the consistency of state-owned financial resources and how they are managed.

Fiscal policy is an essential component of economic policy that, through its tax and taxation system, seeks to stimulate economic activity.

Budget policy is the state's actions in relation to budget revenues and expenditures, ways and means of mobilizing revenue, types and sizes of spending where interference and instability intervene, economic recovery.

Approximately 95% of the EU budget that most contributes to the financing of policy areas the union activities precise the game the expenditures paid by the Commission.

Member States' contributions to the EU budget are in line with their economic prosperity.

The European Union's budget focuses on overcoming crises by investing in economic growth and job creation by helping entrepreneurs through a series of business start-up projects, the fund being designed to reduce unemployment especially among young people in the most affected regions of the Union .

The EU budget still accounts for a small share of total EU public spending, ie less than 1% of EU revenue and about 2% of public spending. The percentage has fallen over time putting a lot of pressure on the budget to make it more efficient, focusing on the areas where it has a very strong impact, and leaving the procedures and rules cumbersome to prevent results.

There have been developments in how to finance the EU budget. The European Union can not borrow as opposed to national budgets but relies on 'own resources' funding, which is divided into three categories: Member State contributions based on the level of each country's income measured by gross national income (GNI), tax contributions on value added tax (VAT), the customs duties levied at the external borders of the European Union.

EU spending has increased over time from 1.7% to 2.5% of total Member States' public expenditure.

The amount of spending may vary from year to year according to the needs of the population and the deficient industries at that time. The European Union institutions are always focusing on the deficit and the most rapidly developing and sustainable growth categories.

Expenditure figures have increased considerably in 2015 as compared to 2014 in areas of particular interest to the European Union and the general population.

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The Impact of Globalization on Workforce – The Future of the Accounting Profession

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Abstract

If we look at what is happening nowadays, we can see that through digitization information becomes more and more easy to access, perhaps even at a click away. People understand the need for digitization and technology in order to work more efficiently at the workplace and they are even willing to undertake new skills for a higher wage package or for other benefits. In this context, the question of the future of the workforce in the digitization era is increasingly emerging. This paper is a research study based on the accounting profession. Through this paper, it has been debated the adaptability of the accounting profession to future labor market changes.

Key words: human resource, accounting profession, digitization

J.E.L. classification: F66, M41

1. Introduction

What will happen to the workforce in the future is one of those questions that concern us and which we are addressing experts most often in the last period. We live a period in which everything is transforming, it takes another form by the fact that technology takes on the day that passes the tasks that people have to accomplish at the workplace, organizes them better, faster and more efficient, but these important changes pose huge organizational and talent challenges of human resources at a time when business leaders are already struggling with unprecedented risks, political and social overturns. The pace of these changes is accelerated.

This thing should not scare, but rather encourage to understand that it is necessary for to be prepared for what is to follow, in order to resist and compete in the labor market.

It is important to identify the way people decide to use technology, but also how to empower staff so that human resources compete in the labor market.

2. Theoretical background

Considering the inclination towards modernization, it would certainly not be easy to identify the new trends without the thoughts of Karl Marx, which emphasizes in his work on revolution of modernity. He bring to attention two vital values for society: equality and freedom. The author claims that to be able to conceive today's world, these two values need to exist and be respected, because only through them the individual will truly feel that it is integrated (Smith, 2005)

Marx appreciates that humans are the only living persons who can do absolutely everything, that they are not limited to one thing, but this leads to some contradiction between the employees and the employers (Marx, 1957). As far as the workforce is concerned within modern thinking, the entities will have to pay more attention to their employees and be more careful about the efforts they make and the skills they have, so that employees feel they are paid for their innovative, smart and efficient work. So a satisfied and appreciated employee will be a employee with a much higher degree of trust, will be more involved and will look for solutions, will be loyal to the business.

3. The future of the workforce

The form that the future labor force tends to take will be the result of complex, changing and competing forces. This transition to an automated workplace will be influenced by both regulations, laws, governments, but also by broad consumer trends, citizens 'and workers' feelings.

Mega-trends are the extraordinary forces that remodel society and with it, the world of work: economic change that redistributes power, wealth, competition and opportunity across the globe; disruptive innovations, radical thinking, new business models and lack of resources affecting each sector (Nitu, 2012).

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Figure no. 1. How people respond to the challenges and opportunities that mega-trends will bring

Source: own processing

Asking if they could be affected by what will happen to the labor market with digitization and technology, most human resources see this change as an opportunity, being confident that they will easily adapt to the new labor market requirements. They must take into account that in order to have a more competitive market, it is necessary that all those in this market have access to the same information, there should no be major difference in qualification opportunities.

The Influence of digital and artificial intelligence on the workforce. Digital and artificial platforms are an unlimited resource to support and increase an effective work world. These platforms bring a value chain regarding automation and digitization, but if we look a little closer it can be seen that there are also risks such as vulnerability to cyber-attacks or large-scale manipulation, important things that need to keep in mind. Even if digitization can increase the whole economy, it's important to look from different angles to be able to properly identify what will happen to the workforce and how it will adapt to new digital platforms, to the new skills that must be learned so they can survive in the market.

4. The four worlds of work in 2030

The year 2030 will have another vision on current work in the sense that there will be four worlds that will monopolize the labor market one at a time and will divide it into categories. The four worlds of work in 2030 are totally different, but they resemble the fact that the basis for their operation lies with the automation and different implications of artificial intelligence.

Red World is based on the innovation, that offers what the consumer wants. Both digital platforms and technology enable those who have innovative ideas to flourish them and customize new ways to meet the needs and wishes of their customers. Blue World, a world in which individual preferences preceded social responsibility, is the world where multinational companies are in the center of attention, but at the same time the consumer has the final say in choosing the products he wants to buy in order to satisfy needs, desires.

Green World focuses on sustainability, calling it the key to business. In this world, workers and consumers show loyalty to organizations and the world. It is a world in which trust is the basis of business and employment, characterized by a strong social consciousness, where companies have to put first the goals of society, through the sense of ecological responsibility, emphasis on diversity, but also on human rights. Yellow World, which has in its center of attention the humans,

represents social good and fairness. Businesses are adapting to a creative market that emphasizes ethics, a world where workers and companies are looking for greater sense and relevance in what they do, placing humanity first.

5. What does a dedicated accountant mean?

Continuing globalization will welcome professional accountants with opportunities but also with challenges in terms of the need to develop and maintain technical and ethics knowledge, skills and competences as well as interpersonal behavior. This will have to be balanced with the ability to anticipate and adapt to changes in commercial practices, but also in regulations that will appear before 2025.

For a better harmonization of accounting and a growth of business standards, it is necessary for those who practice the accountant profession to be professional, qualified and ethics. The last one must be taken into account and has to be as important as the technical skills are in decision-making on strategy and business development.

All professional accountants will have to develop their ability to look beyond numbers, meaning to understand the economic phenomena that take place and how they can be capitalized as opportunities in business, to look beyond finance and sometimes even beyond the business. They need to be more proactive, become more involved, master a more strategic approach, have to collaborate and form partnerships with people within business area, but also with people outside the business, so they do not just provide information, but also to learn and to understand, in order to achieve long-term goals (Radu and Barbu, 2017).

The professional coefficient of each accountant will reflect their competence and abilities in seven constituent areas: technical and ethical skills, experience, intelligence, digitization, creativity, emotional intelligence, vision.

People trust the accountancy profession just as they trust in doctors, even more the accountant profession is viewed with greater confidence in comparison with professions such as journalist, lawyer or politician, which shows that the accounting profession benefits from trust from population. In the exercise of this profession, the accountant has to conduct the business by recruiting and respecting the three headmasters of the accounting profession, which are defined as values of the profession: education, ethics and the quality of services rendered.

The skills of professional accountants will be remunerated through wage packages with a very broad range of coverage, and innovative ideas will be rewarded so that they will be loyal to the companies they work for and help them grow their business (*Bodea*, 2018).

Areas where accounting practices could be changed over the next decade include audit and insurance, ethics, fees, strategic planning or financial management. Regarding auditing, auditors will use the social networks more closely to find clues about the phenomena of audited firms. Strategic planning will be a key element that will underpin the development of opportunities for the companies within market. Ethics will be the pyramid element of customer trust towards professionals.

6. Research on the future of the accounting profession among graduates Accounting and Management Information Systems

The paper is based on descriptive quantitative research, using the questionnaire survey as method. The data obtained were subjected to univariate, bivariate and multivariate analyzes through the SPSS software (Statistical Package for Social Sciences), version 17.0.

The main objectives of the research study are: (1) identifying the perception of the graduates of Accounting and Management Information Systems specialization about accounting profession, (2) identifying the graduate's views on the remuneration system within economic positions, (3) identifying the degree of occupation of the economic positions after graduation, (4) identifying graduates already hired in the labor market, (5) identifying prospective accountants' views on quality of life and professional satisfaction.

6.1. The relationship between training for employment and expectations of future accountants

The questionnaire was applied to a representative sample of 60 respondents. They could not be equally distributed because of the greater preponderance of women. The sample comprised 52 female respondents and 8 male respondents. The questionnaire contained a total of 10 closed-ended questions with fixed answers.

Figure no. 2. The percentage of those who have completed a practice intership

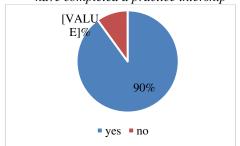
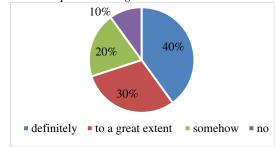


Figure no. 3. The usefulness of the information aquired during the studies



Source: own processing

Of the 60 interviewees, 90% participated in internships organized either within the University or from external sources. Regarding the cumulative information received within the faculty, it seems that they have benefited the graduates both in their participation in the internships and in the insertion in the labor market. Thus, 40% responded with "definitely", 30% appreciated the usefulness of the information with " to a great extent". The margin of those who considered the information unnecessary was 10%.

Figure no. 4. Remuneration of accountants

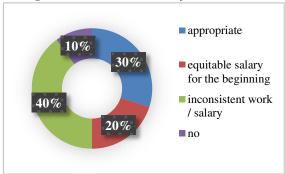
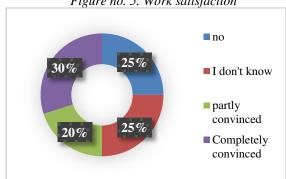


Figure no. 5. Work satisfaction



Source: own processing

When asked about the salary, 10% of future accountants responded that this was not in line with expectations, and 30% considered wages in the accounting sector to be encouraging. A percentage of 40% of respondents considered that the ratio between the work done by an accountant and the salary received was inconclusive.

In terms of work satisfaction, 30% of prospective accountants (majority) that the efforts made in this activity are in balance with the expected effects. Only 25% answered negatively, concluding that the activities submitted exceeded the expected effects and a similar percentage of 25% chose to abstain, answering with "do not know". 20% of those surveyed are in the middle of the balance, believing that work satisfaction only partially requires motivational satisfaction.

The question about the techniques and working methods used by accounting highlights the fact that future accountants are highly adaptable to the new regulations. 50% of them state that working tools help them to a great extent in their activities. Only 10% of those questioned consider that the new forms of organizing accounting activities are rigid and do not help them to a great extent.

Figure no. 6. The influence of working techniques

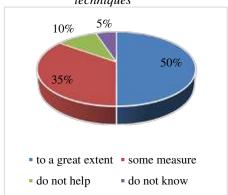
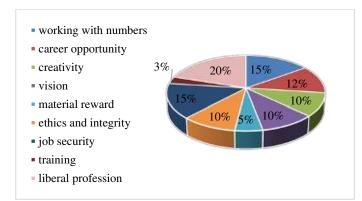


Figure no.7. Qualities of accounting profession



Source: own processing

Regarding the skills of the accountant profession, the respondents appreciate that the most important qualities are the pleasure of working with numbers, job security and the possibility of developing a career. Thus, 20% consider that the most important advantage of the accountancy profession is the quality of the profession as a liberal profession. 15% of those questioned said that in parallel working with numbers and job security lead them to a career in accounting.

Figure no.8. The role of technology

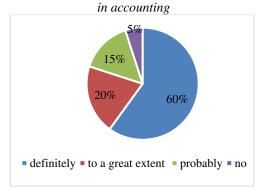
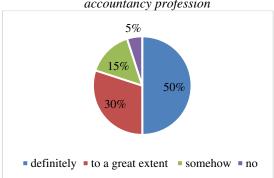


Figure no.9. The level of solicitation of the accountancy profession



Source: own processing

Technology is a priority in absolutely any area, but forecasts show that the future of accounting will change and digitization will largely expand in these activities. Indeed, also 60% of respondents believe that technology is primordial in accounting. A percentage of 20% estimates the value of technology to be largely important in carrying out accounting activities. But there is also a margin of 5% of those questioned who do not see the importance of technology in the art of accounting.

Regarding the level of implication in work, it is known that accountants are generally psychologically and physically requested people because of the high data foresight. A percentage of 50% of respondents appreciate that the accountants' request is obvious and 5% consider that the accountant's job does not require any kind of solicitation. 30% of those who participated in the questionnaire responded ,,to the extend" to the psychological efforts that accounting implies.

Future accountants consider that there are certain qualities that a good accountant needs to understand or improve. A percentage of 40% of respondents believe that accounting activity implies the mastery of the ability to combine as easily as possible all working techniques in order to facilitate work. 20% said that eliminating the accountants' sedentarism would help to improve the efficiency of time and work results. Strategic approach and perspective vision are valued to 15% as a priority in accounting activity.

Figure no. 10. Qualities of future accountant

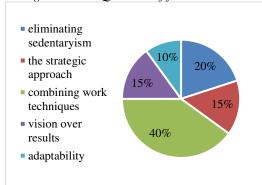
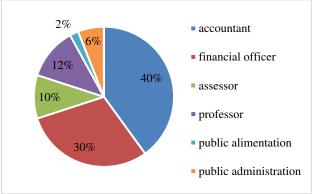


Figura no. 11. Target work



Source: own processing

Out of the total of 60 surveyed people, 40% of future graduates of the economic studies, said they will continue on this road choosing the profession of accountants. 30% chose financial auditors, 12% want to pass on to future generations the information they have learned over the years of study and 8% will reorient themselves to other branches of activities such as public services or administration.

7. Conclusions

Accounting must respond to changes. We must anticipate change by highlighting the accounting profession challenges and helping the business to adapt to the future. So it is important to understand the economic phenomena that are behind the figures recorded in the accounting, in order to help business environment, entrepreneurs to grow their businesses by anticipating certain influences in the economy.

The profession of accountant will become a desirable profession for many people, precisely because of the changes that will take place over the next ten years. Over the next three years, emphasis will be placed on flexibility and sustainability, but also on training costs. In the next five years, people will start to put more value on accountant jobs and many of them will want to specialize in this area. In the next 6 years, accountants and entrepreneurs will come closer and bond due to the fact that they are doing a good work in developing entrepreneurial and economic activities and over the next 10 years accountants will be seen as those who can influence the economy, which can change and influence any activity they want.

Given the rules and regulations, they will have the greatest impact on the accountancy profession, of course, in the years to come. Therefore new trend leaders in business and politics, economics, science and technology reinvent the notions of business and professional accountants. Some of these leaders and trends will affect the entire accounting profession, while others only will affect specific areas and roles. The impact is most likely to reshape the accounting practice and the role of the accounting profession over the next ten years.

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The Dynamics of the Revenues and Expenditures of the State Budget in the Period 2014 - 2018

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Abstract

With this article, the authors want to emphasize that, as one of the major components of the financial system, by the weight of about 30% in the gross domestic product and by the role it plays in the operation of financial leverage such as fiscal, customs and public spending, the state budget is a fundamental category of finance sciences, linked to the existence of the state and the market mechanism. Formally, the state budget is a list of state revenues and expenditures related to a certain amount of time, usually one year. Highlighting the complex role of the state budget in Romania, the authors try to present its components, namely: financial, economic and allocative, redistributive and regulation for a period of five years. The article ends with the authors' conclusions regarding the dynamics of state budget revenues and expenditures in the period 2014-2018.

Key words: budget, public spending, dynamics, tax instruments, public revenue

J.E.L. classification: M48

1. Introduction

The State Budget Law is influenced mainly by the political, economic, and social conceptions as well as by the interests of the groups that exercise the political power specific to each period of government.

Economic policy consists of all the decisions that the Government takes to act on the conjuncture and economic structure at national level. In general, budget policy focuses on priority social spending and overall spending cuts to efficiently allocating financial resources.

The word budget comes from French, from the phrases "bouge" and "bouggettes" which in French meant a bag or a pouch. At the beginning of the 13th century, more precisely in 1215, in England was drafted the first document relating to the state's income and expenditure under the name "budget".

The definition we consider to be the reference for the state budget is that enshrined in the French Public Accounting Law, according to which the state budget is a financial plan of establishing and authorizing the incomes in a calendar year and, in other words, the state budget is the act of establishing and authorizing the state's annual revenue and expenditure.

The state budget is defined by two approaches, the legal and the economic ones respectively. From an economic point of view, the budget is a document that predicts public resources (funds) and the way to use these resources (resource allocation). From a legal point of view, the state budget is the act of authorizing for a one-year period, state revenues and expenditures.

The economic relations expressed by the state budget are, on the one hand, relations of mobilization of the annual economic resources of the state, and on the other hand there are relations of distribution of resources accumulated over a period of one year.

The design and use of the state budget remains an important issue in the modern economy as it is regarded as a financial prediction and macroeconomic planning tool.

At the level of the European Community, the budget is defined as "the act that provides for and authorizes, in advance, community revenue and expenditure for each year".

In Romania, according to the Public Finance Law 500/2006, in the unitary budget system are included: first the state budget, then the state social insurance budget, local budgets, special fund budgets, state treasury budget, budgets of other autonomous institutions, which, together constitute the general consolidated budget of the state.

The State Budget of Romania is published in the first part of the Official Monitor of Romania of the respective year, in the State Budget Law and has the structure: general provisions on the state budget for the year in progress, summarized on revenue in chapters and sub-chapters, and on expenditures by financing sources detailed by chapters, subchapters, paragraphs, titles, articles and aligned, as the case may be, and the amounts thereof; implicitly of the budget surplus or deficit; provisions on local budgets for the current year; provisions relating to the budget of the Single National Health Insurance Fund; provisions on projects funded by post-accession non-reimbursable funds; provisions concerning projects funded by non-reimbursable funds related to the European Union programming period 2014-2020; responsibilities in applying the state budget law; final provisions.

In the synthesis of the state budget are structured the revenues on three components, namely current income, capital income and receipts from the repayment of the loans, and the expenditures are structured on four components: current expenses, capital expenditures, loans granted and credits repayments, payments interest and commission fees as shown in table no. 1.

Table no.1 The revenues and expenditures of the state budget

Table no.1 The revenues and expenditures of the state budget				
Total revenues	Total expenses			
out of which:	out of which:			
I. Current income, of which:	I. Current expenditure, out of which:			
1. Tax revenues, of which:	1. staff costs			
a) Direct taxes, out of which:	2. material and service costs			
- tax;	3. subsidies			
- payroll tax	4. premiums granted to agricultural producers			
b) Indirect taxes, out of which:	5. transfers			
- Value Added Tax;	6. interest on public debt and other expenses			
- Duty;	7. amounts set aside in global positions as reserves,			
- Excise duties and taxes on the movement;	which is available to the Government from privatization			
2. Non-tax revenue	payments			
II. Revenue from capital	II. Capital expenditures			
III. Receipts from repayment of loans	III. Given loans			
	IV. Repayments of loans, interest payments and			
	commissions on loans, out of which:			
	1. repayment of external credits			
	2. interest payments and commissions on external			
	payments			
	3. repayments of internal loans			
	4. interest and commission payments on domestic			
	credits			
	2. interest payments and commissions on external payments 3. repayments of internal loans 4. interest and commission payments on domestic			

Source: own projection

Income is also presented in chapters and subchapters, and expenditures are presented in totals, by parts, chapters and subchapters, articles, aligned, paragraphs. The parties represent the public sector or the type of action for which the expenditure is incurred.

2. Theoretical background

In the foreign literature and in the UK, the concepts of "budget" and "budget process" were mentioned in 1215 in the Magna Charta, being taken over by the French in a decree of 28 July 1862 on public accounting, specifying that "the budget is the act by which the State's expenditure and revenue for a specified period is provided and authorized". In our country, the first (rudimentary) forms of the public budget are considered the income and expense used for Constantin

Brâncoveanu's time, and the "cashmere chasms" of Nicolae Mavrocordat, who were in fact accounts of public revenues and expenditures, situations were made at the end of the year. At our country level, we consider it important to remember the researches undertaken by the following authors: Brezeanu (2002), Nistor I (2004), Bătrâncea (2001). If we are referring to the level and the evolution over time of the U.E. 28, noteworthy are the works of the authors: Tulai, C. (2007), Hoanţă N. (2000), Vacarel I. (2002, 2003).

3. Methodology

The approach of the study is in principle one of the analysis of the literature of the analysed period. *The proposed methodology* for the study, as well as the achievement of the objectives, is based on the *preliminary documentation* for understanding the theoretical aspects regarding the state budget elaboration mechanism. The theoretical research describes and analyses the current state of knowledge, making contributions in completing it and clarifying certain aspects necessary for the subsequent application. The starting point of the research is the theoretical documentation by going through the literature specific to the field, which allows the formulation of opinions at the end of the paper.

The theoretical approach is complemented by an empirical study of a four-year period on the allocation of resources and their use, respectively the dynamics of state budget revenues and expenditures.

4. The dynamics of state budget revenues and expenditures in 2014 - 2018

The budget revenue system mainly includes the state social security budget and special fund budgets and the local budgets. Because they express economic relations, the revenues of the Romanian state budget form a unitary system because it expresses economic relations and, after their collection, they lose their individuality and are expenditures for the realization of the social-cultural actions, the development of the national economy, the defence, the functioning of the state apparatus, etc. In our country, the level of national economy development and GDP dynamics have led to the achievement of some state budget revenues in the period 2014-2018, as presented in Table 2.

Table no. 2. The dynamics of revenues of the state budget of Romania and their weight in Romania's GDP in the period 2014 - 2018

Name of indicators	2014	2015	2016	2017	2018*
Total revenue, of which:	213.833,6	233.554,3	223.721,9	251.819,7	182.382,5
Share of total revenue in GDP	31,7%	33,1%	29,5%	29,9%	19,3%
Current income	199.774,4	215.401,1	215.618,8	233.804,0	174.221,3
Tax revenue	124.973,9	138.302,1	135.406,1	140.245,8	92.688,4
Profit tax, salaries, income and capital	37.376,2	42.090,9	44.781,6	46.900,6	28.035,1
gains					
Taxes and property taxes	6.185,1	5.738,0	5.898,1	5.361,8	4.138,8
Taxes and goods and services taxes	80.352,2	89.207,8	84.127,1	86.192,6	59.267,5
Foreign Trade tax	643,0	816,0	882,7	933,3	706,6
Other taxes and fiscal taxes	417,5	449,4	716,7	857,4	540,4
Insurance contributions	57.612,1	57.604,0	61.274,4	71.710,5	63.824,9
Non-fiscal income	17.188,4	19.495,0	17.938,3	21.847,7	17.707,9
Subsidies	=	=	ı	=	-24.618,9
Revenue from capital	1.027,6	918,2	769,4	830,4	475,3
Donations	89,2	6,3	1,6	8,5	2,8
Amounts from the EU to the single	11.099,7	16.978,2	949,9	276,6	153,5
account, to the state budget					
Financial operations	-224,1	-28,0	-39,5	-218,7	-127,9
Amounts credited to the single	272,6	-28,9	472,6	29,2	-
account, to the state budget					
Other amounts received from the EU	1.524,8	-139,2	-	-136,6	8,2

Name of indicators	2014	2015	2016	2017	2018*
for operational programs financed					
under the Convergence objective					
Amounts received from the EU or	11.099,7	418,5	5.909,6	17.007,8	8.180,0
other donors on account of payments					
made and pre-financing for the 2014-					
2020 financial framework					

Source: Calculations based on data extracted from the Romanian Statistical Yearbook for 2018, from the monthly bulletins published by the National Bank of Romania, on the website: www.bnro.ro and the Draft State Budget Law 2018 published on www.mfinante.ro

Developing the national economy, increasing labour productivity and reducing production costs directly affect the amount of budget revenue. The size of the budget revenues is determined on the one hand by the capacity of the sources of income, by the necessity of self-financing, and by the state budget and the local budgets in the financing of social-cultural actions, the national economy, expenditure on public order, national defence, etc.

According to the data presented in Table 2, the share of total revenues decreased from 31.7% in 2014 to 19.3% in the first eight months of 2018. Current revenues consist of tax revenues and non-tax revenues and we notice an increase from 199,774.4 lei in 2014 to 233.804 lei in 2017, with an increase of 11.70%.

Table no. 3. The dynamics of the State Budget of Romania and their weight in Romania's GDP in the period 2014-2018

Name of indicators	2014	2015	2016	2017	2018*
Total expenditure, out of which:	226.326,8	243.915,5	242.016,3	276.080,4	196.941,8
Share of GDP expenditure%	33,6	34,6	31,9	32,8	20,8
Current expenses	210.135,9	226.688,1	223.001,2	257.735,3	187.971,5
Total transfers	103.421,8	117.551,8	107.953,4	130.892,4	91.519,1
Expenditure on reimbursable	591,7	455,9	444,5	273,2	155,3
financing programs					
Capital expenditures	17.140,1	18.263,4	19.015,0	19.556,6	9.586,8
Financial operations	-4.846,2	-6.968,6	-4.958,6	-4.762,2	-3.695,0
Payments made in the previous	-949,2	-1.035,9	-	-1.211,6	-616,5
years and recovered in the current					
year					
EXCEDENT (+) / DEFICIT (-)	-12.493,2	-10.361,3	-18.294,3	-24.260,7	-14.559,4

Source: Calculations based on data extracted from the Romanian Statistical Yearbook for 2018, from the monthly bulletins published by the National Bank of Romania, on the website: www.bnro.ro and the Draft State Budget Law 2018 published on www.mfinante.ro; the first eight months of 2018

The share of the total expenditures in the consolidated state budget of Romania, as can be seen from Table no.3, decreased in 2016 to 31.9% as compared to 2014, when they were 33.6%. There is also an increase in current expenditures in 2017 in the amount of 47,599.4 million lei compared to 2014, when they amounted to 21.135,9 million lei. The capital expenditures also recorded an increase of 2,416.5 million lei in 2017, amounting to 19,556.6 million lei, compared to 17,140.1 million lei as they were in 2014. Regarding the surplus or budget deficit, we may say that a budget deficit has been recorded over the entire analysed period, rising from -12,493.2 in 2014 to -14,559.4 million lei in 2017, i.e. an increase in amounting to 2,066.20 million lei, motivated in 2017 by the advance of the deadline for the submission of the Applications for opening of the budgetary credits by the main credit coordinators.

The correlation between the level of gross domestic product and state budget revenues, as well as the correlation between the level of revenues and that of the state budget expenditures are analysed in table no. 4.

Table no.4. The share of revenues and expenditures of Romania's state budget in GDP in 2014-2020

Name of indicators	UM	2014	2015	2016	2017	2018
Nominal GDP	Million Lei	674.300	704.542	758.500	842.500	945.004
State budget revenues	Million Lei	213.833,6	233.582,3	223.721,9	251.819,7	182.382,5
Share of government budget revenues in GDP	%	31,7	33,1	29,5	29,9	19,3
Annual change in the share of government budget revenues in GDP	Percentage points	-	1,4	-3,6	0,4	-10,6
State budget expenditures	Million Lei	226.326,8	243.915,5	242.016,3	276.080,4	196.941,8
Share of government budget expenditures in GDP	%	33,7	34,6	31,8	32,7	20,7
Annual change in the share of government budget expenditures in GDP	Percentage points	-	1	-2,7	0,9	-12
State budget deficit	Million Lei	-12.493,2	-10.361,3	18.294,3	-24.260,7	-14.559,4
The weight of the state budget deficit in GDP	%	-1,84	-1,48	-2,40	-2,89	-1,55
Annual change in the share of the government budget deficit in GDP	Percentage points	-	-0,38	0,94	0,47	-1,34

Source: The calculations are based on data extracted from the Romanian Statistical Yearbook for 2018 from the Monthly Bulletins published by the NBR, on the website: www.bnro.ro and the Draft of the State Budget Law for 2018, published on www.mfinante.ro

Within the state budget, the share of gross domestic product achieved over the course of a year is given by the share of the revenues in the national GDP. Thus, the share of the state budget revenues in GDP during 2014-2018 was 31.7% in 2014, with a slight increase in 2015 and 1.4 times, respectively, in the following years to fall to 29, 5% in 2016, respectively 29.9% in 2017, and 2018 in the first eight months of 19.3%.

There is also a decline in revenue in GDP in the first eight months of 2018 by 10.6 percentage points, a decline stemming from rising pensions and wages. The share of government budget expenditures in GDP expresses the share of gross domestic product in one year that is allocated to cover the collective needs of the company through the state budget.

Between 2014 and 2018, the share of government budget expenditures in GDP decreased from 33.7% in 2014 to 20.7% in the first eight months of 2018. The state budget deficit represented 1.84% of GDP in 2014, 1.48% in 2015, 2.40% in 2016, 2.89% in 2017, and 1.55% in 2018, respectively, year-on-year when growth , when a decrease in total GDP. At 2017, the state budget deficit stood at 2.89% of GDP, 1.41% higher than the 1.48% minimum in 2015 in the period under review.

5. Conclusions

The situation, in which a particular economy is, at the beginning, determines to a great extent its competitiveness, its growth potential and, in particular, the possibilities of using new technologies. This initial situation is the result of the history of the economy, a combination of options and strategies, such as rising spending on health, education, research, the share of productive investment in GDP, the allocation of production factors by sector of activity, the opening of the economy for private investment, macroeconomic policy the priority of the tax system and the distribution of revenue and short-term items.

The concept of budget in terms of the economic approach reveals the dynamics of the gross domestic product and the macroeconomic correlations at the state level. The state budget, in modern economic theory, is considered to be the essential variable in determining the level of use of available resources and gross domestic product. The level of budgetary indicators is determined by the level of gross domestic product, which basically forms the basis for the future evolution of

state resources. Economic policies are based, for the most part, in a direct or indirect manner, on taxation and on public expenditures included in the general budget.

In 1997, the Amsterdam European Council agreed that the Member States should draw up and submit to the Brussels authorities a three-year sliding stability program. This program aims at balancing public resources and spending so that the budget deficit does not exceed 3% of GDP.

The functional structure of public expenditures shows the areas of predominance to which public funds are intended, and in relation to newly created value in the economy - expressed by GDP - highlights the development priorities of a state.

The economic relations underlying the state budget are manifested in a double sense, both as relations that help to mobilize the money resources at the disposal of the state, but also as relationships that are at the basis of the distribution of the collected resources. The state budget is a predictive tool for both short-term, budget and medium-term budgeting programs, especially for public investment spending. Thus, the state budget reflects the total budget revenues and expenditures by raising the amount of public effort over a budget year and a considered time period, the difference between them being reflected in the budget surplus or deficit.

As a result of the study, the authors consider that the share of revenues and expenditures differs from year to year as a result of the tasks of the central and local authorities in the economic and social development of each locality as well as of the country in its ensemble. Therefore, the state budget reflects all the revenues and expenditures of the budget system, cumulated at the national level, and high lights the size of the public financial effort for that year, the state of equilibrium or imbalance, as the case may be.

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Institutional Ownership and Firm Performance -Evidence from Romania

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Abstract

This paper examines the impact of institutional ownership on the firm's financial performance for a sample of 1,432 Romanian companies, in a time frame that range from 2008 to 2015. The effects of institutional ownership on performance is estimated using fixed effects model (FE), random effects model (RE) and a corrective model (PCSE) as methodology. The main results indicate the fact that between institutional ownership and firm performance is an inverse relationship, but the coefficient is insignificant from the statistical point of view. A potential explanation for these results consists in the fact that this category of investors is underdeveloped in the Romanian market and their evolution was not a smooth one but, on the contrary, it was hampered by the effects of the global financial crisis as well as by the national political and economic turmoil.

Key words: institutional ownership, financial performance, corporate governance

J.E.L. classification: G32, G34, L25

1. Introduction

In the last decades, the influence of the ownership structure on the financial performance has been carefully revised by the literature. Thus, in the financial corporate researches, following questions appear: "Who owns the company's capital?", "Which is the relation which is carried out between the shareholders and the managers of the company?" and "If this relation exists, how does it influences the financial performance of the company?". Even though lately the idea regarding the separation of property from control is more pregnant, in practice the managerial interests regarding the company may differ from the interests of those who provide its capital. In an attempt to answer to these questions, the issue of the nature of the relationship between a firm's ownership structure and its financial performance has led to a widespread debate among international researchers.

Based on these considerations, the first part of this paper summarizes the most important studies found in the literature. The paper continues by describing the data and the methodology used to develop the empirical study and the main results obtained. The final part of the paper presents the conclusions and the remarks on the submitted study.

2. Literature review

Over time, institutional investors have become major players in today's financial markets. Although the volume of capital managed by institutional investors has increased exponentially, however, it is unclear whether this development is favorable to the corporate environment. In fact, what has led to the expansion of institutional investment in recent years is largely due to the establishment and development of pension funds (Graves and Waddock, 1990). Thus, in parallel with the increase in the volume of institutional participations in the capital market, the role of institutional investors has changed dramatically from that of the passive investor to the active one.

Traditionally, institutional investors are not directly involved in the decision-making process; instead, if the performance of the company or the market is unsatisfactory, they will follow a "disinvestment policy", which consists in selling the share package (Bathala et al., 1994). With the increase in the volume of capital invested, institutional ownership will opt for "signaling" dissatisfactions about the decision-making process and low performance, to the detriment of a spontaneous decision to disinvest, that would lead to declining stock market shares. Institutional investors, compared to individuals, will be more likely to be involved in the decision-making process due to their significant contribution to the company's capital, thus trying to get managers to manage their long-term interests (Holderness and Sheehan, 1988; Brickley et al., 1988). In other words, institutional ownership will assume responsibility for more effective management monitoring, thus influencing top-level decisions, and therefore performance of the company (Chaganti and Damanpour, 1991). In his paper, Pound (1988) proposes three assumptions about the relationship between institutional ownership and firm performance: (1) effective monitoring hypothesis; (2) conflict of interest hypothesis and (3) strategic alignment hypothesis. The effective monitoring hypothesis shows that institutional investors have expertise and can monitor management at a lower cost to individual shareholders. Consequently, this leads to a positive relationship between institutional ownership and firm performance. The conflict of interest hypothesis suggests that if institutional investors also have other relationships (such as business relationships) with the company they invest in, they are forced to protect their management. The strategic alignment hypothesis asserts that institutional shareholders and company managers consider it advantageous to develop cooperative relationships. In general, the cooperative actions of the two parties could lead to a decrease of firm's performance, to the detriment of higher performance that might result from the involvement and monitoring of the decision-making process by majority shareholders. Therefore, both the conflict-of-interest hypothesis and the strategic alignment hypothesis foresee an inverse relationship between institutional ownership and firm performance.

In view of empirical studies, researchers examining the relationship between institutional ownership and firm performance have achieved mixed results. For instance, by conducting a cross-sectional study on a sample of 1,173 NYSE / AMEX listed companies in 1976 and another sample of 1,093 companies listed in 1986, McConnell and Servaes (1990) achieved a significant positive impact of institutional ownership on the firm performance. The authors argue that such a relationship reveals an effective monitoring undertaken by institutional investors. Only a year later, Chaganti and Damanpour (1991) and Lowenstein (1991) confirm the results of the previous study obtaining a positive correlation established between the two variables. In another research, Clay (2001) performs different econometric models (the ordinary least squares and 2SLS type regression models) over a sample of 8,951 companies between 1988 and 1999, reporting a positive impact of institutional ownership on firm performance. Other recent researches found in the literature that study the link between institutional ownership and firm performance: Harjoto and Jo (2008), Irina and Nadezhda (2009), Nuryanah and Islam (2011), Fazlzadeh et al. (2011), Uwuigbe and Olusanmi (2012), Hussain Tahir et al. (2015), etc.

On the other hand, a limited number of studies reveal an insignificant or even negative relationship between institutional ownership and the various measures of firm performance. Thus, through the results of the studies conducted, Agrawal and Knoeber (1996), Craswell, Taylor and Saywell (1997), Duggal and Millar (1999), Faccio and Lasfer (2000) and Mollah et al. (2012) argue that the institutional shareholder is not a significant determinant of firm performance.

3. Data and methodology

The impact of institutional ownership on the financial performances of the largest active companies from Romania is analysed within a panel data framework. The sample comprised 1,432 Romanian companies, with data for a period of 8 years (2008-2015). The source of data is AMADEUS, platform database of Bureau van Dijk (2017).

The dependent variable describes the financial performance. Past research identified a range of variables as potentially capturing firm performance. However, in this study, firm performance was measured by return on total assets (ROA) which represent the company's profitability related to its

total assets.

In order to capture the potential impact of institutional ownership on financial performance, a dummy variable (INST) was constructed. In line with most of the researchers, it was assigned a value of 1 for companies with an institutional ownership concentration above 20 percent and a value of 0 if the company's shareholding is considered mixed one.

An appropriate set of control variables was introduced in the model, in line with the literature on financial performance determinants: firm age (AGE) defined as the natural logarithm of company age since establishment of the company until the certain year; firm size (SIZE) represents the annual absolute change of natural logarithm of total assets; capital intensity (CAPINT) shows the proportion of fixed assets (tangible assets) over total assets; leverage (LVRG) measures the proportion of funds provided by creditors and stockholders using to finance its assets.

Based on the analysis of the literature on corporate financial performance determinants, it was assumed that firms have their own intrinsic characteristics which could influence the financial performance and, therefore it was estimated a fixed effects (FE) model. It was also estimated a random effects (RE) model which imply a random variation across firms, uncorrelated to the explanatory variables. In order to decide between fixed effects and random effects empirical specifications, a Hausman test was employed which showed that fixed effects estimator should be preferred. Tests results were reported in the lower part of the estimation tables. In addition, it is important to identify the autocorrelation issue before the standard errors of the estimated coefficients to be computed. Wooldridge test for autocorrelation pointed out that first order autocorrelation could not be rejected.

Given the evidence of strong cross-sectional dependence, the presence of heteroscedasticity and autocorrelation, Prais-Winsten PCSE procedure was used as the baseline scenario. The procedure fits linear models when the residuals are not independent and identically distributed, allowing correcting cross-sectional dependence, heteroskedasticity and autocorrelation.

$$Y_{i,t} = \beta_0 + \beta_k X_{i,t} + \varepsilon_{i,t}$$

where Y represents dependent variable (ROA), β_0 represents the constant, β_k represents the estimated coefficients, X represents the independent and the control variables, $\epsilon_{i,t}$ is the random component of the error, i - the companies, t - the time.

4. Results

The following table presents the results of the regressive analysis of the relationship between the financial performance of companies, the institutional ownership and the control variables:

Table no. 1: Results of regression analysis

<i>y</i> 0		ROA	
VADIADI EC	(1)	(2)	(3)
VARIABLES	FE	RE	PCSE
INST	0.153	-0.443	-0.255
	(0.364)	(0.332)	(0.341)
SIZE	1.005***	-0.677***	-1.525***
	(0.167)	(0.106)	(0.167)
AGE	-0.428***	-0.223***	-0.151***
	(0.0313)	(0.0226)	(0.0253)
LIQID	-0.149***	-0.133***	-0.0646**
	(0.0276)	(0.0266)	(0.0295)
DEBT	-26.61***	-23.01***	-19.48***
	(0.605)	(0.502)	(1.578)
TANG	-13.81***	-13.24***	-11.14***
	(0.724)	(0.537)	(1.116)
Constant	24.93***	35.77***	39.82***
	(1.438)	(1.010)	(1.771)
R-squared	0.184	0.175	0.266

F-test all $\alpha_i = 0$	37.79***		
Hausman test		211.07***	
Pesaran CD test	81.28***		
Wooldridge (F-test)	222.98***		
Breusch-Pagan LM χ2		9,809.62***	

Source: Author's personal estimations *, **, *** denote significance at 10%, 5%, 1%

() standard deviation

Analyzing the results synthesized in the table, it can be stated that there is an indirect link between the institutional ownership of companies and their financial performance, but the coefficient is insignificant from a statistical point of view, considering the indicator ROA as financial performance. Such a result was also obtained by Duggal and Millar (1999), Faccio and Lasfer (2000), Demsetz and Villalonga (2001), Thomsen et al. (2006), Elyasiani and Jia (2010), Mollah et al. (2012) etc. thereby rejecting the formulated hypothesis.

In the last decade, institutional investors have begun to appear and develop in Romania, but this market is at an early stage in its development. There are several categories of institutional investors relevant to the Romanian market: the five financial investment companies, pension funds, venture capital funds and mutual funds. Other institutional investors, such as banking institutions or insurance companies, have an insignificant role, due to the low performance of investments made in companies compared with alternative placements. Pension funds, one of the most important institutional investors in European countries, is also at an early stage of development (the basic legislation was adopted only in the early 2000s by Law 411/2004 on privately managed pensions). Regarding the prospects for development and expansion of institutional investors, increasing the investment of pension funds at an increasingly rhythm is an important signal that these investors will play a significant role in the Romanian economy.

In this respect, the lack of significance of the relationship established between institutional investors and the financial performance of companies can be explained by reference to the fact that this category of investors is underdeveloped in the Romanian market (according to the methodology, 8% of the companies considered are represented by institutional shareholders). Moreover, this evolution of the institutional investors' market has not been smooth but has been hampered by the effects of the global financial crisis as well as by the national political and economic turmoil.

Considering the control variables, it can be concluded that they are statistically significant at 1%. Thus, all of the control variables considered adversely affect the firm's financial performance. Overall, the model is statistically significant (F statistic = 0.266, p <0.01). With regard to the explanations of the results, with the increase in market size and accumulation, companies tend to expand and diversify their business by focusing on investment projects that may slow down the growth rate of their performance. The results on asset tangibility confirm those obtained by Güner (2016) indicating that an increase in its rate leads to a decline in financial performance. Finally, a high level of indebtedness will affect the financial performance of companies by increasing the cost of capital but also by price fluctuations on the stock market (Daskalakis & Psillaki, 2008; Vasiliou et al., 2009).

5. Conclusions

The ownership structure can influence the performance of companies in many ways. Differences in shareholder identity, different degrees of concentration, or unequal distribution of resources among shareholders affect their power and ability to control managers. Moreover, the wide range of shareholders and managers' objectives can influence the performance of the company in different ways.

In the literature there are numerous studies conducted on the association between the ownership and the financial performance of the companies. However, the results obtained do not clearly identify the relationship established between these variables. The identified conclusions differ significantly from studies in developed countries to developing countries.

This research contributes to the expansion of the literature on the impact of corporate governance from the perspective of the impact of the institutional ownership on the financial performance of Romanian companies, considering a panel-based approach for 2008-2015.

In conclusion, in the post-communist period, there have been some changes in Romania regarding the corporate environment. Thus, although it is difficult to quantify, through the numerous studies found in the literature, it can be said that the contribution of the different ownership structures to the growth of companies' financial performance. Despite the fact that globalization has expanded considerably, certain factors such as the various degrees of economic development, regional disparities or cultural differences in emerging economies are limiting a global approach, in particular, making comparisons with developed economies. Last but not least, with the familiarization and applicability of corporate governance principles, the corporate environment will be able to support or develop Romania's economy, leading to the opening of new horizons of research in corporate finance.

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The Relation Between Culture, Corporate Governance and the Role of the Internal Auditor

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Abstract

Internal Audit is an independent, objective assurance and consulting activity designed to create value and to improve the operations of an organization in achieving its objectives by implementing a systematic approach to assessing and improving the effectiveness of risk management, control and governance processes. One can approach the true value of internal audit and its role within the organization only after studying organizational culture, corporate governance, risk management, and internal control. The internal audit adds value - through its activities- both by evaluating the system internal control and risk analysis related to auditable activities, as well as through recommendations to the management of the organization in order to ensure the achievement of the objectives of the organization. The objective of this study is to understand the role of the internal auditor who must know and understand the culture of the organization so that he can identify and assess the risks.

Key words: culture, corporate governance, internal auditor, risks, objectives

J.E.L. classification: M15

1. Introduction

Good corporate governance ensures the improvement of economic efficiency and the establishment of an interactive investment climate. Among the most important benefits of implementing high corporate governance standards are: efficient use of resources, increasing investor confidence, lowering the cost of capital due to the sensitive diminishing of managers' discretionary attitude and lowering corruption levels.

Corporate governance describes the methods and systems used to manage all types and sizes organizations, whether public or non-profit ones, companies in the private sector and those built as partnerships.

Corporate governance also refers to how the rights and responsibilities between the categories of business participant - such as the board of directors, managers, shareholders, and other interest groups- are shared, while also focusing on how business decisions are made, how strategic objectives are defined, how they are reached and how financial performance are monitored.

The concept of corporate governance is seen as having two facets: the behavioral one, which refers to how the managers of a company, shareholders, employees, creditors, customers and suppliers interact, the state and other interest groups within the company's overall strategy and the normative one, which refers to the set of regulation in which the relationships and behaviors, described above fall, namely the law of commercial companies, the law of securities and capital markets, the law of bankruptcy, the requirements of the stock exchange quotation, etc (Tabără *et al.*, 2007).

Considering the organizational culture, any organization intends to implement these three ideals, namely corporate governance, risk management and internal control, while internal audit is the key component of their monitoring (Dascălu *et al.*, 2016).

Furthermore, internal audit has an important role in educating management leadership, finding effective solutions, and assisting in the process of implementing and developing the techniques and tools needed in this area. Therefore, the internal auditor needs to have a profound understanding of corporate governance, is best placed to assume this major role in the organization in order to support management, and to ensure the success of the organization (Tabără *et al.*, 2007).

Organizational culture affects the way in which decisions are made in an organization, and thus the concrete way in which it evolves, in the context of a strategy. Specialist studies demonstrate that the organizational culture is at the heart of the entire decision-making process, though it does not appear in the visible spectrum of the organization, rather than indirectly, through inertial consequences. Organizational culture integrates these values, beliefs and behavioral norms that have proven to be of benefit to the organization in its past. In other words, organizational culture preserves all past values that have historically been validated in favor of the organization and its employees (Dumitru and Burtescu, 2015).

If we refer to the top management of an organization, we must consider the fact that it has the major responsibility for ensuring the correct and efficient functioning of the systems within the organization. There is unanimous recognition that there is no universal way of organizing management leadership and, moreover, we have to keep in mind that the term management (leadership) is not synonymous with management (the science or art of leadership). Internal audit has been adopted as a fashionable term in the field of financial control, and there is currently a problem with the understanding of the internal control system which, being the object of internal audit, includes all the internal control activities carried out within an entity and the associated risks (Dumitrescu, 2015).

Internal auditors and the manager should be seen as partners, not adversaries, with the same objectives as the effectiveness of the management act and the achievement of the proposed targets. Internal auditors assess any department, function, activity within the entity for which they report to general management. The relationship between internal and audited should be a professional one, namely systems evaluation and the detection of any problems faced by employees. The support provided by the internal auditor must materialize in finding solutions, together with the auditees, to eliminate the dysfunctions, irregularities or even irregularities encountered by them in the context of the organizational culture (Dănescu, 2007).

2. Specialty literature

The interest for organizational culture has begun in the 7th decade. The main indirect cause was the performance of the Japanese companies explained to an appreciable extent by their specific culture. A major contribution to the rapid and broad dissemination of the organizational culture approach were Peters and Watermann (1982), through their best-seller "In Search of Excellence", in which they paid great attention - illustrating through numerous examples the correlation of the characteristics of organizational culture and the performance of some of the most competitive companies in the world.

The use of the term audit in the current sense is relatively recent and is in place during the 1929 economic crisis in the United States when organizations affected by the economic recession had to pay important sums to external auditors who certified the accounts of all listed companies (Fülöp and Szekely, 2017).

The role and need of internal auditors has been steadily increasing and has been universally accepted, which is why they felt the need to organize and standardize their practical activities. Thus, in 1941, the Institute of Internal Auditors-I.I.A was established in Orlando, Florida and it was internationally recognized. Subsequently, the United Kingdom joined, and also Sweden, Norway, Denmark and other states in 1951. At present, over 100 national institutes of internal auditors and members from over 120 countries have been affiliated with this institute as a result of obtaining the quality of a C.I.A. Internal Certified Auditor, awarded by IAA, based on professional exams(Fülöp and Szekely, 2017).

The internal audit function was established in England and France in the early 1960s, being strongly marked by its origins in financial and accounting control. It was only after the 1980s and 1990s that the internal audit function began to take shape in the activity of the entities, and its evolution continues at present (Fülöp and Szekely, 2017).

Starting with 1999, Romania has initiated a process of drafting the primary legislation, defining the concept of internal control, setting general objectives and specific objectives.

Completion of the secondary legislation was achieved under the new approach of the internal control concept in order to organize the internal management and control system as a support for the increase of the quality and efficiency of the managerial act. Management supervises the state of implementation of the managerial control system through the internal audit function and observes the deviations from the established objectives, analyzes the causes that have determined them and provides the necessary corrective or preventive measures (Dumitrescu, 2015).

In addition to this internal control system, the internal audit function has been organized within the public entities since 2003. The purpose of internal audit is to evaluate the functionality of the internal control system and to provide advice to the general manager for making the most effective decisions (Dumitrescu, 2012).

3. Research and methods

The purpose of the method is to establish the role of the internal auditor so that he can identify and evaluate his own risks for the efficient functioning of the organization.

Corporate governance is a multi-level approach in the system of relations between interest groups (employees, shareholders, managers, all business partners, regulators, the general public and the media), and includes relations established between the Council administration and internal or external interested parts.

Governance is a very broad concept that includes sound and effective supervision of how something is done, conducted, controlled, or managed to protect the interests of the components, area, organization, or institution.

Corporate Governance is an attempt to implement risk analysis, verification, assessment control systems to help achieve efficient management for their operation. The Corporate Governance Concept is supported by internal auditing, which has an important role in assisting reorganizing the internal control system and advising general management.

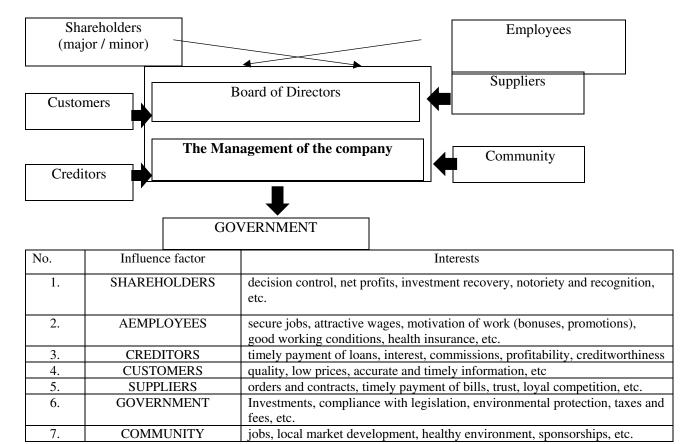
The corporate governance concept refers to the transparency of transactions and the need to monitor the internal control system to ensure its capability of assessing possible risks that adds to the safety of organization management.

In order to avoid inadequate governance, top management must be interested in policy making, and organizing the internal control system in order to master and assess the organization's risks.

Effective governance will also ensure the establishment of long-term strategic objectives and plans, as well as the existence of leadership and leadership structures to meet these objectives, ensuring the functionality of the structure in order to maintain the organization's integrity, reputation and responsibility to the public.

The factors that influence the activity of an organization, which are part of the structure of the corporate governance concept are outlined in figure no.1. Interaction of the internal and external environment with the organization and factors of interest.

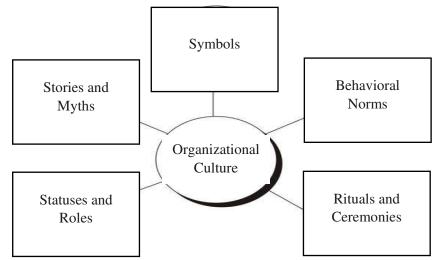
Figure no.1 Interaction of the internal and external environment with the organization and factors of interest



Source: Developed by author through adaptation and processing after Fülöp and Szekely, 2017

The forms of manifestation of the organizational culture are largely intangible, less visible, which explains why the specialists themselves often perceive them partially differently (figure no.2).

Figure no.2 Organizational culture manifestations



Source: Developed by author through adaptation and processing after Fülöp and Szekely, 2017

4. Conclusions

I believe that following the results of the research method, internal audit should provide independent and objective advice services to help the entity's management at an average level to improve risk management, control and governance.

Organizations use internal audit to assess policies and procedures used to achieve the objectives by capitalizing on auditors' recommendations. Internal audit has become a part of risk management, close to those involved in monitoring activities. The purpose of the audit is to prevent major risks. Periodic changes lead to major malfunctions in activity, affecting the consistency of managerial policies. The performance of an entity is based on the concept of continuity and stability of managers with responsibility for the efficiency of the activity.

We can say that the corporate governance system leads to the improvement of the organization's economic efficiency by expanding the internal audit capabilities and setting up audit committees, organizing internal control, understanding the significance of transparency and the quality of financial information, improving management. Good governance within an organization reduces risks, increases performance, paves the way for financial markets, develops marketing ability for goods and services, improves management, and shows transparency and social responsibility.

The very essence of organizational culture is given by people who, in their essence, are good, capable of performance, self-control and self-control. Considering their performance, organizational cultures are positive or negative, but transformable at any time. Organizational culture is the way in which work is done and where people are treated. The culture of an organization determines its personality, that is how it works.

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Influence of Managerial Accounting in the Decision Making Process

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Abstract

The article aims to put in center view the role of the managerial team in making management decisions. Managerial accounting is of high importance due to the prized place accounted by economic entities arising from the problems they have to face, that of developing and substantiating the optimal decisions and of knowing how to take advantage of new opportunities to promote their prosperity.

Key words: managerial accounting, management decisions, performance, decision

J.E.L. classification: M41, M48, H30, H87

1. Introduction

The managerial accounting favours the entrepeneur behaviour, helping the manager to respond to two key questions which is the optimal method to realise the targeted objectives by using the given resources, and also how those resources have been distributed.

Studying the costs offers the opportunity to find the means the accounting and calculation operate with in order that the proposed system react in an optimal manner to the informational necessary and thus supporting the decision making process.

It is the important role of the cost calculation and managerial accounting that represents the objective of the study, this being attained by analyzing the theoretical aspects treated in the scientific research, at a national and also international level, with the aim of organizing the cost calculation.

2. Theoretical background

The speciality literature gives us a lot of definitions that come to our aid to make us better understand the decision term. We want to highlight the information given by the author Fătăcean Gheorghe in his book, Managerial Accounting and Management Control, where we finde a definition according to which "the decision is a dynamic, rational process in which, on the basis of appropriate information, a line of action is chosen from a number of possibilities to influence the activity of the performers and to obtain a certain result."

Managerial accounting should be regarded as a stand-alone concept with an important influence on strategic decisions that clearly highlight the sources of where managerial accounting takes its information, and those designated to be held responsable should have a solid professional training and knowledge in order to select the information needed, to prepare the briefs for the managing team and be ready to test them before are made available for the entire entity.

Briciu Sorin (2010, p. 17) states that "However, we believe that a distinction should be made, so managerial accounting must include both elements of general accounting, special accounting, management accounting. A special place in managerial accounting has to be control management, which is responsible for the proper functioning of the information system needed for decision-making in an entity. This should also include internal audit, which helps the entity to achieve its objectives, performing systematic assessments and improving risk management, control and management of processes."

3. Methodology

The research is in a great measure qualitative, opinion-based. The methods used to compile this research report are: observation and analysis.

This work falls within the scope of managerial accounting research to determine the entity's performance through pricing. The main objective of the research is to calculate the costs related to the activity of the entity in order to provide a real and faithful image of the management team in order to highlight the impact on the practices and the evolution directions.

4. Faithful frame – managerial accounting

Since an important part to an entity's success is the strategic decision making process, different levels should be taken into consideration, and the tracking and supervising of their implentation plays also an important role. The account has, in this regard, of the strategic decision process, a key role, because he helps the development of the strategies by providing the necessary resources for the managers. This underlines the significance of the managerail accounting in the process of this decision making.

The decision must be regarded as an essential feature of management being outlined as a defining instrument of expression. It is this capacity to make decisions at the right moment and also to implement them, that characterize a high level management team.

After a managerial decision is taken, it is transformed into a decisional act and the management team formulates a solution to the problem in the shortest time possible, according to its own capacity. Each decision type creates a different manner in whic the decision making process takes place.

The process of decision making is a separate mechanism that is integrated into a company, the work being carried out with the help of specialists who have the knowledge to prepare, diseminate and implement the control of a decision, the entire activity being carried out with easy to understand instructions. This manner of acting reflects also the link between the decision and the control of how it is implemented, the latter being the responsability of the managerial accounting.

Thus, the managerial accounting provides the management with only the primordial information necessary to understand how te processes in the entity are being developed at a certain period of time, and this piece of information helps to take the most suitable decision to improve the activity and also to later verify the way it was implemented.

But in order to make the best result from the information received from the managerial accounting, the management team needs to have the ability to interpret, analyze and issue a decision based on the knowledge they have on filtering information and acting in a manner with macroeconomic impact on the entity, even if the accountants have the responsability for the strictly specific accountant information.

The ongoing collaboration between management and managerial accounting with an entity is supposed to achieve is to take suitable decisions and strategic concepts regarding competitive advantages.

The need for an entity to use and adopt a model for calculating and analyzing the costs of products, works and services primordial in order to find the level of sales prices that are tailored to market requirements and to achieve the projected targets. The entity's cost fluctuation analysis is an objective in itself, their organization being motivated by the more frequent influences of the management of the entities, given the opening to the market economy, a phenomenon requiring the

cost accounting information to be as complete and relevant as possible, designed to be able to intervene if prices are to be adjusted.

Along a series of factors, the premises offer the contribution to choosing how to manage accounting and to achieve its aim. Several factors are considered to determine the managing accounting and costing, among which: the entity's size and type, its organizational structure, the characteristics of the activities carried out and also the manner in which the entity is organized.

The results of a high performance decision making process is very much determined by the manner in which the management team overviews the implementation of the decision. And in order to ensure the best result of this activity, it is of primordial interes to frequently analyze and control the way these measures taken with process managers are followed. And the main objective of this check is to revise the results that have been obtained during the refference perios, to identify the causes of an eventual hinder to the attainement of the aim and also means to prevent similar hinderings form taking place. Thus, we make sure the systems and subsystems are adjusted, through verifications performed at the right moment.

The aim of the managerial accounting is to present the operations of collectin and distributing expenses, by their destination, separately on products, activities, works, orders, sections, phases, and also the settlement of the output, but also the calculation of production costs for the products manufacturated, the work executed and the costs for the services provided, that also include the production in progress. This helps managerial accounting, but to prepare the information the management team needs, it is also of high importance to use the pieces of information that the financial accounting and management control department offer.

The evolution of costs is directly reflected in the performance of entities. Detailed cost control of entities can lead to a cost-saving and maximize performance mechanism. Theoretically, the process of calculating the costs involved is closely related to the nature of the decisions made by the management.

When an analysis of how the managerial accounting fulfill its aims and support managerial activity is to be carried out, it has to determine, on one hand,

The analysis of how managerial accounting fulfills its objectives and supports managerial decision-making processes within the entities has as its objective to solve a worrying ituation: on one hand, organizing the managerial accounting is not a well established process for most of the entitites and also, using the analytical information regarding to resources, potential and the position in comparison to similar entitites is made by old methods that are directed by the managers by their own will. One of the commonly applied methods is the global method that is based on the traditional idea of indirect spending analysis, adding to direct spending, without focusing on careful analysis of calculation objects.

5. The importance of costs in achieving the managerial objective

The goal of managers should be to break down the cost of responsibility centers as accurately as possible.

If errors are committed on this level, the managers will have a false image on the profitability of some products and this will translate, at a macroeconomic level, into selling non profitable products. If managers are to take decisions, this involves cost analysis the safety of fairness of direct costs if this represents a higher level than indirect ones. Also, indirect costs represent a very big problem because it is not possible to quantify the resources consumed on each ocst item, and this regardless of the specific of the entity.

Managers might also have problems to separate direct and indirect costs, situation that could appear because the importance of the cost for the entity, as long as costs that are more important cannot be attributed to a responsability center. Another cause for the impediment to classify costs is an outdated or inappropriate procedure of collecting information.

The efficiency of the costs implies the use of available resources with current production conditions and also taking into consideration the conditions imposed by a crisis.

If, when taking a decision regarding the fixed costs, the managers might fail because the unitary fixed cost can change, the management team must remain focused on the total costs and consider their value rmains unchanged even if the production volume changes.

The managers must pay attention to cost developments that can be closely observed through cost functions, where cost functions is a mathematical expression of cost changes.

In nowadays economic conditions, the way to improve the efficiency is to use spending budgets, and entities should find different ways to reduce costs and maximize on their resource consumption in order to resist competition.

A quality indicator of the cost of production is the cost of production, which occupies an essential position among the indicators that characterize the activity of anentity and which have a crucial role for the decision making process of the managers.

The first step in cost accounting is analyzing the past service cost and information, because an essential thing is to have the best perception of costs possible. The team of managers should be always informed about the cost expected to occur in the future, this value reprsenting the fundament of the decision process for smooth future work. Also, a good forecast of costs enusres an adequate level of prices and the supply needs.

The cost control system and the managerail accounting are designed to provide pices of information that supply the decision making process regarding planning, offering great details often, and thus underlining the importance of costs of activities or products.

6. The process of making decisions and how it influences the management of the entity

This chapters aims to analyze the various cost categories used in the process of decision making and which are addressed and described in terms of the criteria of the national and international literature, with a particular relevance in synthesizing and identifying those optimal costs that can be properly managed internally. Cost information that management requires in exercising the functions it possesses often requires predictions of its future behaviors, which involves the use of mathematical models such as cost utility. It has been necessary to create a cost function because of the need for information to make decisions about the quantity of products to be manufactured, the establishment of production costs or the determination of performance parameter. What defines the decision-making process is the transition process from thought to action.

Through this act it aims to find the most rational levers for actions that will lead to maximum results with minimal effort for the management team.

The key to the management decision is the fact that these decisions are the expression of rational acts, briefly formulated in order to find a direction meant to lead the management team to achieve the defined objectives.

The decision is regarded as an essential feature of management regarded as a defining tool of expression. The qualitative level of management of an entity is evidenced by the decisions taken by them and their implementation.

The decision-making process is defined in the legal dictionary as a logical thinking activity, carried out in a certain organizational and legal framework and carried out in time by the governing bodies, with cooptation of some departments and specialists, in connection with the preparation, elaboration, realization and control a decision.

Since the managerial accounting provide the management team with the pieces of information needed to reveal the general idea of what goes on in the entity, the managers, using this information, can make permanent decision and anticipate their effects, also having a control on the effectivens.

This view helps claryifing the areas in which managerial accounting offers support for the managers in order to make the most efficient decision.

For instance, the control tools provided by the managerial accounting are later found in the reports used by the management in order to take strategic decisions.

And also the reports used by the management, resulting from regular reviews, provide them with a degree of certainity and also the information is as accurate as possible. We consider there have to be enstated procedures for all the large processes of the entity in order to reduce errors and to simplify the work, with the need to update them whenever changes in the strategy or in the processes happen. And also, internal instructions should be provided to each member of the departments detailing the steps people should follow to comply with internal procedures. The

management control must optimize the process, aiming to control the entitity, taking needed actions in order to ensure beneficial results in the future.

As long as the management team knows if and how the decisions are implemented and complied with, the internal audit verifies peridocally the procedures, the way they were implemented, if the internal instructions have been followed and if the results of the processes are correct. Starting from the results of this control, improvement measures are taken.

Many factors and functions sould be considered in order to ensure a good organization of managerial accounting, and these factors influence greatly the manner in which the entity is organized. Managerial accounting in an entity is described by the author Seal W Herbert I. (2001, p. 3-21), which realizes a parallel between the traditional versus the modern methods' functions.

7. Conclusions

Managerial accounting puts its mark on the information it transmits, influencing strategic decisions, even affecting the entity's structre and the performance appraisal system

The defining element of decision-making is the process of transition from thinking to action. Through this act, it is desirable to find the most relevant levers for actions that will lead to maximum results with minimal effort for the management team.

The key to the management decision is the fact that these decisions represent the expression of rational, briefly formulated acts in order to find a direction meant to lead the management team to achieve clearly defined objectives.

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The Banking System in Romania

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Abstract

This paper presents aspects referring to the Romanian banking system, both through its structure and functions, as well as through the specific legislation, respectively of operations carried out by banking companies nationally. The Romanian banking system is consisted in the whole body of banks which activate in the economical framework in a certain period of time. The banks existent in each state have a very important role in the functionality of the economy of that state, both because they credit the entities which do not command the financial resources necessary for developing their activity and because they mediate the payments in economy and interact with other international banking bodies. The operations specific to the banking companies are provided in the national legislation in effect; they can range from attracting deposits, offering credits, financial leasing and services of money transfer to renting safety boxes.

Key words: banking system, banks, operations, credit

J.E.L. classification: M41

1. Introduction

A state banking system is represented by the whole body of banks which function in economy in a certain period of time. The banking domain is a very vast one, as a result in the specialty literature there are a series of articles which point out aspects concerning the banking system. Therefore, Marvin Goodfriend in his paper "The Role of a Regional Bank in a System of Central Banks" presents aspects concerning the importance of efficient communication between banks and their public. It also emphasizes that the competition between banks stimulates the innovative thinking concerning operations, researching and their policies. (Goodfriend, 2000, pp. 7-25)

Anişoara Niculina Apetri through the paper "Role and Importance of the banking System in Economy" points out that once with the evolution of society, a development of banks has been registered, from the bank of issue to the one of transfer, deposits, commercial and electronic banks. Bank evolution and banking system in general, has occurred before the economical development, banks being therefore considered the steam engine which trail off the entire economy (Apetri, 2007, pp.293-296). Another paper intituled "Improvement of Deposit Guarantee Schemes in Banking Systems" is Mirela Niculae's paper and treats aspects concerning the improvement of the bank's deposit guarantee system, improvement which will allow the reaching of the financial means from the clients toward the banking system, thus the banking system's stability and liquidity, respectively the improvement of research in economy will be maximised. (Niculae, 2013, pp.185-188).

2. Theoretical background

The Romanian banking system is consisted in The National Bank of Romania, as a central bank, and the banking companies which offer on the market a diversified range of operations such as banking operations in current accounts and deposits, operation made in the name of the clients through payment instruments, operations made by banks in the electronic payment system, operations of crediting and monitoring the credits, bank card operations, banking operations in foreign currency. (Socol, 2006, pp. 111-363)

The National Bank of Romania is the central bank institution governing the Romanian banking domain and it is managed by a Board of Directors. The Board of Directors is the organism having the decision right concerning the policies in the monetary domain and rate of exchange, authorising, regulating, and prudential surveillance of crediting institutions, monitoring the payment systems, internal organisation of the bank. The Board of Directors also decides which are the responsibilities of the executive structures and staff of the National Bank of Romania. (http://bnr.ro/Conducerea-si-organizarea-BNR-705.aspx).

Banks are juridical persons which undertake the form of joint – stock companies which develop operations for the non financial clients (physical and juridical persons) in their own name, or in the name of other banks (financial clients). In Romania at the end of 2017, 35 crediting institutions functioned, all aiming the provision of quality services to their clients. The 35 credit institutions were represented by two banks having integral or controlling interest capital owned by the Romanian state, four credit institutions with Romanian private controlling interest, 22 banks with controlling interest and seven branch banks foreign of (http://www.arb.ro/sistemul-bancar-din-romania/sistemul-bancar-din-romania/). Services provided by the crediting institutions have registered a remarkable evolution in the last 27 years evolution consisted in the allotment of new services to the clients (the possibility of making the payments by POS) and improving the existent ones (diminishing or even the cancellation of certain commissions for the provided services). The clients play an important role in fulfilling the objectives aimed by each banking institution (profit increasing, increasing the market share, etc) as a result, the banking institutions follow the presentation of irresistible offers on the market, offers which are to maintain the existent clients and to attract new ones.

3. Methodology

Our research aims the presentation of the theoretical aspects concerning the Romanian banking system, the legislative framework specific to banking domain, as well as the operations specific to the banking companies.

As research methods and techniques, in our study we have appealed to the theoretical documentation, comparison and synthesis. The theoretical documentation consisted in the study of specialty literature. We have used comparison in the moment in which we presented the functions of the National Bank of Romania respectively the function of commercial banks. Synthesis was used in presenting the theoretical aspects because the banking system is a vast study field.

4. Romanian Banking System

The Romanian banking system is structured in two main platforms: The National Bank of Romania and the authorised crediting institutions. (Dascălu, 2005, p.13)

The National Bank of Romania is an independent public institution having the role of ensuring and maintaining the prices. Among the operations developed by this institution we can recall the following:

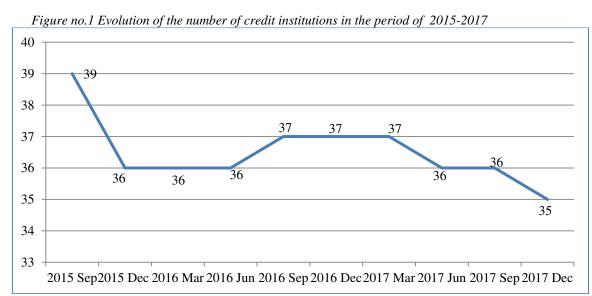
- Money market and foreign exchange operations,
- Establishing the mandatory minimal reserves that the crediting institutions must maintain in the account opened here,
- Develop the exchange policy of Romania,
- Currency issue,
- Operations with the crediting institutions,
- Operations of surveillance of the crediting institutions,
- Operations on state account.
- Operations with gold and external assets.

The commercial banks which develop their activity in Romania undertake the form of Romania's legal person bank and of representative units of the foreign bank companies. Bank companies are organised on two levels: the Central and the operative bank units which make the operative activity, directly interacting with the clients. The operations made by banks aim:

- Attracting deposits,

- Credit Contraction,
- Financial leasing,
- Services of money transfer,
- Emitting and managing the means of payment,
- Trading on the interbank market,
- Managing the clients' portfolios, etc.

Nationally, the number of crediting institutions has registered a decreasing trend in the period 2015 - 2017, from 39 crediting institutions in September 2015, reaching 35 crediting units according at the end of 2017, as explained in Figure no. 1.



Source: National Bank of Romania

The total amount of credits granted by crediting institutions in the period between 2015 - 2017, was 670 103,2 million Ron according to table no. 1, whilst the value of the attracted deposits within the same reference period was 830 180,8 million Ron, situation which we will present within Table no. 2

Table no. 1. Situation of credits granted by crediting institution in the period between 2015-2017

-million Ron-

-mitton Kon-							
Credit's Beneficiaries	2015	Growth rate over the previous year (%)	2016	Growth rate over the previous year (%)	2017	Growth rate over the previous year (%)	
Population's households	107 952,8	-	113 036,5	4,70	121 839,9	7,78	
Non-financial corporations	104 832,5	-	101 641,7	-3,04	104 138,6	2,45	
Non- monetary financial institutions, public administration and residents	4 613,9	-	5 422,4	17,52	6 624,9	22,17	
Total	217 399,2	X	220 100,6	X	232 603,4	X	

Source: National Bank of Romania

Analysing the data presented in the table we can ascertain that for the year of 2016 the amount of the offered credits has registered an increase of 2 701,4 million Ron (1,24%), while for the year of 2017 the growth was of 12 502,8 million Ron, representing a growth of 5,68 percents.

Table no. 2. Situation of the attracted deposits in the period 2015 - 2017

-million Ron-

Entity from which the deposit is attracted	2015	Growth rate over the previous year (%)	2016	Growth rate over the previous year (%)	2017	Growth rate over the previous year (%)
Population's	146 780,3	-	163 462,0	11,36	178 659,9	9,29
households						
Non -	91 433,4	-	95 174,9	4,09	106 126,2	11,50
financial						
corporations						
Non-						
monetary						
financial	15 203,9	-	15 629,7	2,80	17 710,5	13,31
institutions						
Total	253 417,6	X	274 266,6	X	302 496,6	X

Source: National Bank of Romania

The Amount of the attracted deposits in the year of 2016 has increased with 20 849 million Ron (8,22%), while for the year of 2017 the registered growth was of 28 230 million representing an rate of 10,29%.

5. Functions of the Banking System

Romanian banking system presents a series of functions specific to its two components. Therefore, the National Bank of Romania, in its quality of central bank, fulfils the following functions (Dascălu, 2005, p.15):

- Function of monetary issue,
- Crediting function,
- Function of currency centre,
- Function of "the bank of the banks"
- Function of "the bank of the state

Commercial banks, apart from their role of ensuring the banking brokerage, fulfil a series of functions, among which we can recall the next (Iuga, 2009, p.12):

- Function of mediating the credit in economy,
- Function of mediating the payments in economy,
- Function concerning the collaboration with other international banking bodies.

6. Legislative Framework Specific to the Romanian Banking Field

The legislative framework specific to banking field is a very complex one, including a series of laws and regulations which are meant to ensure a good functioning of the activity of crediting institutions, among which we can recall (http://bnr.ro/Legislatie-financiar-bancara-735.aspx):

- Government Emergency Ordinance no.99 from the 6th of December 2006 concerning the crediting institutions and capital's adequacy,
- Law no. 227/2007 for approving the Government Emergency Ordinance no.99/2006 concerning certain measurements for sustaining the development programs of construction buildings at national level,
- Emergency Ordinance no.25 from the 28th of March for modifying and completing the Government Emergency Ordinance no.99/2006 concerning the crediting institutions and capital adequacy (Official Monitory, First Part no.179 from the 23rd of March 2009),
- Law no. 207 concerning the approval of Government Emergency Ordinance no. 25/2009 for modifying and completing the Government Emergency Ordinance no. 99/2006 concerning the crediting institutions and capital adequacy,
- Ordinance no. 13/2011, concerning the legal and punitive interest rate for money obligations, as well as for regularising of some fiscal financial measures in the banking system,

- Ordinance no.1/2012 for modifying and completing some normative acts in the field of crediting institutions,
- Emergency Ordinance no. 113/2013 concerning some budgetary measurements for modifying and completing the Government Emergency Ordinance no. 99/2006 concerning the crediting institutions and capital adequacy,
- Implementation norms,
- Law no. 85/2014 concerning the procedures of preventing the insolvency and of insolvency,
- Law no. 83/1997 for privatisation of commercial companies to which the state is a shareholder, with its subsequent modifications

7. Operations Conducted by Banking Companies

In order to fulfil the established objectives, the banking companies conduct a series of operations such as (Socol, 2006, pp.111-363):

- a) Banking operations in current accounts and clients' deposits:
 - Banking operations in the clients' deposits regards the opening of current accounts, supplying the account with funds and diminishing the funds from the account,
 - The operations of making bank deposits target the clients who are physic persons or legal persons. For the banks, the deposits are a main source of attracting funds
- b) Banking operations made in the name of clients through payment instruments
 - Banking operations with orders. Orders are instructions given by an issuer to a receiving banking company for making available an amount of money to a beneficiary, amount which is specified in the order, either by crediting an account of his, or by cashing the amount of money
 - Banking operations with checks. The check is a payment instrument used by the holders of bank accounts with corresponding spare in these accounts
 - Banking operations with Bills of Exchange and Promissory Notes. Bill of Exchange is a credit title, under private signature, which connects three people in its creations process: drawer, drawee and the beneficiary. Promissory note is created by the emitter having the quality of debtor who obliges to pay a settled amount of money at a certain date or at the presentation of another person named by the beneficiary, who has the quality of creditor.
- c) Banking operations of allotting and monitoring the credits. The operative banking units may allot credits to individual customers or to juridical persons when these do not dispose of financial resources necessary to covering the expenses occasioned by purchasing certain goods / services or by developing their activity. The bank staff who serve the clients in the crediting activity, develop an assembly of activities meant to characterise the situation of the clients and to establish potential risks to which the banking company exposes in the hypothesis of allotting the credit. After granting the credit the banking companies follow the fulfilment of the conditions from the credit contract, as well as the payment of rates at terms and of afferent interests, the situation of the guarantees and the destination of the credit.
- d) Banking operations with cards. The most part of the people who obtain incomes from salaries use cards on which the salaries are transferred. The cards are emitted by banking companies authorised by the National Bank of Romania for this purpose.
- e) Banking operations in foreign currency. These operations refer to cashing, payments, compensations, transfers, crediting, as well as any transactions expressed in currency and which can be effected through banking transfer, in cash, with payment instruments or by any payment modalities practised by banking companies, according to the respective operations

8. Conclusions

The Romanian banking system is constituted from the National Bank of Romania, as central bank and from banking companies which activate nationally. Banks are legal persons which follow the provision of quality services to the clients. In our opinion the clients play an important role in fulfilling the objectives established by each banking institution (increase of profit, increase of market share etc), as a result the banking institutions intend to present some irresistible offers on the market, offers which are to keep the old clients and to attract new ones.

The banking system fulfils a series of functions among which we can recall the function of monetary issue specific to the National Bank of Romania, the function of mobilizing the monetary assets in the economy, crediting function etc.

The activity of the crediting institutions is made in accordance with the national legislation in effect, legislation which is very complex and which includes a series of laws and ordinances meant to ensure the effectiveness of the activities of these institutions. The operations developed by the banking companies are diverse and include banking operations in currents accounts in deposits, operations made in the name of the clients through payment instruments, operations of allotment and monitoring the credits, banking operations with cards, banking operations in foreign currency.

In our opinion, the Romanian banking system is a pillar for national economy, because it meets the needs of entities and population with a diversified range of credits, which intends to complete the financial resources necessary for developing in optimal conditions their activity, respectively making investments and intensifying the consumption.

9. Acknowledgement

This research is sustained through performance scholarship given by the "1st December 1918" University of Alba Iulia.

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