

**Emerging Markets Economics and Business.  
Contributions of Young Researchers**

***Proceedings of the 9<sup>th</sup> International Conference of Doctoral Students  
and Young Researchers***

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FACULTY OF ECONOMIC SCIENCES  
DOCTORAL SCHOOL OF ECONOMIC SCIENCES**

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Doctoral Students and Young Researchers***

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Editor-in-Chief: Prof.Dr.habil. Alina Badulescu

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## TABLE OF CONTENTS

PREFACE.....	9
THE LABOR MARKET IN ROMANIA - STRUCTURE AND EVOLUTION Leontina Codruța ANDRIȚOIU .....	10
ORGANIZATIONAL CULTURE AND ITS ROLE IN PROCESS IMPROVEMENT USING QUALITY SYSTEMS Simona-Alexandra APOSTOL .....	14
THE URBAN CULTURAL TOURISM: CONCEPT AND PARTICULARITIES Simona - Violeta ARDELEAN .....	18
OPTIMAL MONETARY AREAS AND MONETARY POLICY. AN ANALYSIS OVER WORLD POWER CENTERS Tudor Mugurel AURSULESEI, Ștefan Cătălin TOPLICEANU.....	22
FINANCIAL INDICATORS AND METHODS USED IN THE INVESTMENT DECISION PROCESS Paul-Gheorghe BAHNEAN, Ovidiu Constantin BUNGET .....	26
EVOLUTION OF THE ROMANIAN LABOUR MARKET BETWEEN 2000 - 2017 Annamaria BART .....	29
INFLATION AND UNEMPLOYMENT TRENDS IN ROMANIA BETWEEN 2000 - 2018 Annamaria BART .....	33
THEORETICAL ASPECTS ON ENTREPRENEURSHIP Georgeta Florina BAT (IORGA).....	37
THE MAINSTREAM AND THE MULTISTREAM APPROACH TECHNIQUES SPECIFIC TO CLASSIC PROFESSIONAL ORCHESTRAS Nicolae BIBU, Georgiana TEOHARI, Diana SALA.....	42
THE RELIGIOUS FOUNDATIONS OF RABBI HIRSCH APPROACH TO MANAGING EDUCATIONAL INSTITUTIONS Nicolae BIBU, Yochanan KIRSCHENBOIM .....	46
ASSESSING INFORMATIONAL EFFICIENCY THROUGH GROSS NATIONAL INCOME PER CAPITA Raluca Simina BILȚI, Iuliana-Maria URSU.....	50
THE DIRECTIONS OF THE DURABLE DEVELOPMENT STRATEGY IN A MACROECONOMIC CONTEXT Maria-Mădălina BOGEANU-POPA.....	55
MARKETING STRATEGIES IN BANKING BASED ON CONSUMER CONFIDENCE Nicoleta Gianina BOSTAN (MOTOAȘCĂ)	59
ECONOMIC INEQUALITY WITHIN THE EU, ONE OF THE GREATEST CHALLENGES OF GLOBALIZATION Diana Georgiana BUCĂȚAR .....	64
THE ROLE OF R&D UNITS IN THE DEVELOPMENT OF THE REGIONAL CONTEXT Lavinia CERNESCU, Diana CRĂSNEANU, Luisa DUNGAN.....	68

THE ROLE OF ENTREPRENEURSHIP AND BEHAVIORAL ECONOMICS IN ECONOMIC DEVELOPMENT Alexandra-Veronica CLIM.....	73
A SCHUMPETERIAN VIEW ON ECONOMIC DEVELOPMENT THROUGH INFORMATION TECHNOLOGIES Alexandru CORDUNEANU.....	78
EMPIRICAL STUDY ON THE SITUATION OF EUROPEAN FUNDS IN THE TIMIȘ COUNTY OF ROMANIA Cosmin-Lăscuț COSTA .....	82
STATISTICAL STUDY OF THE ROMANIAN FISCAL PRESSURE IN THE PERIOD 2006-2017 Loredana Andreea CRISTEA, Alina Daniela VODĂ.....	86
THE OPINION OF THE INDEPENDENT AUDITOR – CONFIDENCE FACTOR ON THE FINANCIAL STATEMENTS Andreea Claudia CRUCEAN .....	91
THE CROSS BORDER COOPERATION BETWEEN ROMANIA AND HUNGARY Gabriela-Elena CSOKA .....	96
EUROPEAN UNION POST 2020 BETWEEN RISKS AND OPPOTUNITIES Laura Maria DANILA.....	100
GROSS DOMESTIC PRODUCT, SYNTHETIC INDICATOR OF MACROECONOMIC RESULTS. A CRITICAL ANAYSIS Dragoș DIANU .....	104
HEALTH EDUCATION CONCERNING POST AS A STRATEGY FOR OBESITY Marinel Cornelius DINU .....	108
OUTSOURCING - RELATIONSHIP BETWEEN SMES AND LARGE COMPANIES Alicia ERINCZ, Constanța TIUHTII.....	113
THE IMPORTANCE OF EDUCATION IN RURAL ENVIRONMENT IN ROMANIA Teodora Andreea GĂINARU (OLAH).....	117
INNOVATION AS PART OF EUROPEAN DEVELOPMENT Darie GAVRILUȚ .....	121
URBAN TOURISM IN ORADEA Alexandra Georgiana GĂVRUȚA (BODOGAI).....	125
COST-BENEFIT ANALYSIS OF THE CHURCH IMPLICATION IN SOCIAL ECONOMY Angelica HOLOVCSUK .....	129
ANALYSIS OF THE EFFICIENCY, EFFICACY AND ECONOMICS OF THE USE OF PUBLIC FINANCIAL RESOURCES BY APPLYING THE INTERNAL AUDIT Alin Teodor HUSERAȘ.....	134
FISCAL PRESSURE AND CORRUPTION. CASE STUDY Alexandra Ana IENOVAN .....	139
UNIVERSITY AUTONOMY – FROM THE DEVELOPMENT TREND IN THE WORLD TO BE APPLIED IN VIETNAM Nghiêm KHOÁT .....	142

THE IMPACTS OF REMITTANCES TO SOUTHEAST ASIAN COUNTRIES (ASEAN) Nghiêm KHOÁT, Nguyễn ATRANG .....	148
REENGINEERING ORGANIZATIONS WITH THE CONCEPTUAL FRAMEWORK MULAN AND ULTRA HIGH-LEVEL PETRI NETS Nevena KRASTEVA .....	153
APPLICATION ISSUES OF PERFORMANCE MANAGEMENT METHODS IN THE PUBLIC SECTOR Daniella KUCSMA .....	157
INNOVATIVE / COMPETITIVE TOURIST PRODUCT IN REVITALIZING A TOURIST DESTINATION. CASE STUDY: THE DANUBE CLUSTER Mirela MAZILU, Loredana DRAGOMIR, Andrei BĂBĂȚ, Carlo DRAGOMIR.....	161
MOBILE APPLICATIONS TRANSFORM LIVES OF SMALLHOLDER FARMERS Aigul MEIRMANOVA .....	165
INFLUENCE OF HUMAN RESOURCES DEVELOPMENT ON ECONOMIC GROWTH Iuliana-Claudia MIHALACHE, Dan PÎRLOGEANU, Mihaela TOMAZIU-TODOSIA, Felicia-Cătălina APETROI .....	169
NON-FINANCIAL REPORTING - A CHALLENGE FOR ACCOUNTING PROFESSION Nicoleta-Daniela MILU .....	175
ETHNIC IDENTITY AND SOCIO-ECONOMIC MARGINALITY AMONG ROMA COMMUNITY MEMBERS IN SELIND Réka NAGY .....	180
THE IMPACT OF THE INFORMATION SOCIETY ON MANAGEMENT OF HUMAN RESOURCES IN PUBLIC LIBRARIES Corina NICOGLU (CIURARU).....	184
THE BENEFICIARIES AND THE COSTS OF THE RESIDENTIAL CARE CENTRE FOR ELDERLY Aurelia Oana PARVULESCU .....	188
RELEVANCE OF ACCOUNTING INFORMATION IN CONSIDERING THE SOCIAL RESPONSIBILITY OF THE ORGANIZATION Carmen-Florentina PĂUNESCU.....	192
CITY CLUSTER DEVELOPMENT: BAI A MARE CITY CASE Melania-Gabriela POP .....	196
REFLECTIONS ON THE USE OF CREATIVE ACCOUNTING IN THE PRESENTATION OF FINANCIAL INFORMATION BY CONSTRUCTION COMPANIES Daniela PORDEA .....	200
CONCEPTUAL APPROACHES TO PUBLIC GOVERNANCE. CORPORATE GOVERNANCE VS. PUBLIC GOVERNANCE Dorin Marian PRIVANTU .....	205
THE PORK MEAT SECTOR IN ROMANIA Laurentiu RADU.....	210
OLIGOPOLY AND GAME THEORY Doriana Andreea RĂMESCU .....	214

CONTEMPORARY CRITICISM OF CORPORATE BEHAVIOUR Paula-Carmen ROȘCA.....	218
STUDY REGARDING THE CUSTOMER SATISFACTION AND CONFIDENCE ANALYSIS BY THE IMPLEMENTATION OF QUALITY MANAGEMENT SYSTEM IN S.C. APULUM S.A. Adina SÂRB, Liliana ITUL, Maria POPA .....	222
THE CREATIVE HABITAT Diana SAVA.....	226
MAGISTRATURAL STRATEGIES OF THE URBAN PUBLIC ADMINISTRATION OF IMPERIAL TIMIȘOARA Andreea-Eva SÔMKEREKI, Ioan PETRIȘOR.....	230
THE EVOLUTION OF WOMEN'S UNEMPLOYMENT IN BIHOR COUNTY Lavinia STAN.....	234
NEW TENDENCIES IN TOURISM: THE SHARING ECONOMY Elena ȘTIUBEA .....	239
MODELS TO FOLLOW IN GOOD PRACTICES OF SOCIAL INNOVATION ON THE FIELD OF DISTRICT HEATING Gábor Béla SÜVEGES .....	243
THE ROLE OF FINANCIAL INDICATORS IN SUPPORTING STRATEGIC DECISIONS Zoltán MUSINSZKI, Gábor Béla SÜVEGES .....	247
TALENT MANAGEMENT – CONCEPTUAL APPROACH AND PRACTICAL CHALLENGES IN THE CONTEXT OF GLOBALIZATION Ioan-Claudiu TAMAȘ, Maria-Madela ABRUDAN .....	251
DEFINING THE CONCEPT OF RISK APPLIED IN ENTREPRENEURSHIP. CONCEPTUAL DELIMITATION RISK - ENTREPRENEURIAL UNCERTAINTY Andrei Alexandru TĂRĂBÎC.....	256
SOCIAL CAPITAL: A TRANS-DISCIPLINARY CONCEPT Cristian G. TERZA .....	259
THE PUBLIC HEALTH SYSTEM: CONCEPTUAL AND METHODOLOGICAL APPROACHES Alexandrina Florina TEUȘDEA.....	265
FINANCIAL EDUCATION IN ROMANIA Florian Teodor TOIA.....	269
METHODOLOGICAL CHALLENGES IN MEASURING SOCIAL INNOVATION – LITERATURE REVIEW Krisztina VARGA .....	273
THE AFTERMATH OF FINANCIAL CRISIS IN THE EUROPEAN UNION Alina Daniela VODĂ and Loredana Andreea CRISTEA.....	277



## PREFACE

Scientific research in economic sciences currently plays, maybe more than ever, an important role in generating solutions and models of economic and social development. Moreover, in the contemporary world, development is inconceivable in the absence of sustained research and development activities. Undoubtedly, scientific research must be conducted primarily in higher education institutions, in academic and research laboratories.

In this context, the scientific research of young people - students, master students and, in particular PhD students - acquires special meanings and its promotion is a duty of honour to academics and supervisors at all levels.

Recognizing and understanding all these realities, in the Faculty of Economic Studies and Doctoral School of Economic Sciences at the University of Oradea, there have been encouraged and supported the efforts and steps on the path of doctoral scientific research. Thus, since 2010 there is organized an Annual Doctoral Symposium of PhD students in Economics and related fields, and papers carefully selected after the peer-review process were published in a volume that encompassed the contributions of PhD students in Economics. This year, the Symposium opened its doors and has been organized as an International Conference, in academic partnership with University of Miskolc, Hungary and International Business School in Botevgrad, Bulgaria.

Now, we release the 63 papers selected from the scientific contributions of the PhD students, presented at the 2018 edition of the International Doctoral Conference and selected after the review process. The papers deal with topics related to Microeconomics and Economics of the firm, Entrepreneurship and SMEs, Tourism and services, Macroeconomics etc.

We release the 6<sup>th</sup> issue of the journal *Emerging Markets Economics and Business. Proceedings of the 9<sup>th</sup> Conference of Doctoral Students and Young Researchers* with the belief that young researchers are, by training and audacity, a tank of opinions, viewpoints, and especially solutions and proposals, and aware that they should be encouraged and promoted as to enable them to confirm the hopes of their teachers and supervisors.

Last but not least, special thanks are due the members of the International Advisory Board and of the Scientific Board, to reviewers, to the members of the organizing committee, and to all generous fellows who supported the International Conference of Doctoral Students and Young Researchers, ymposium held on 21<sup>st</sup> of November 2018 at the University of Oradea, and thus made possible the release of this volume.

Oradea, December 2018

President of the Conference,  
Professor Alina Badulescu

# THE LABOR MARKET IN ROMANIA - STRUCTURE AND EVOLUTION

**Leontina Codruța ANDRIȚOIU**

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**Abstract.** *Labor market research is very important because its good functioning is vital to the competitiveness of the economy, both now and in the future. When competitiveness is seen as a growth potential, the size of available resources and the efficiency of their use become essential. The contribution of human resources to economic competitiveness is determined by the size of the labor supply, its qualification and the flexibility of the labor market. The less favorable economic conditions in recent years have also had a significant impact on the labor market, causing serious imbalances. Unemployment has risen sharply, even worryingly in some EU Member States (Greece, Spain, Portugal), long-term unemployment has risen, there are difficulties in job-matching, job creation has significantly diminished. Internally, we also face a massive emigration phenomenon that affects all geographic regions and all social categories, influencing the evolution of the demographic situation and the labor market. Migration of highly qualified people - engineers, technical specialists, doctors, nurses, researchers, teachers - has strong implications for Romania's economic and social development potential and endangers the sustainability of health and education systems.*

**Keywords:** Labor Market; Romania; unemployment; economical growth; workforce.

**JEL classification:** A10; O10.

## **1. Introduction**

European employment systems are currently undergoing transformation due to the phenomenon of demographic aging, which in the case of Europe is mainly caused by the increase in life expectancy, along with the decline in the birth rate. The resolution of the problems of sub-empowerment in the European Union countries, including Romania, becomes vital in the current context of the prolonged economic crisis and in line with the ambitious requirements set out in the Europe 2020 Strategy. In this context, the EU countries need to step up their efforts to finding the most appropriate measures to reverse the decline in the rate of employment or at least to halt it. Otherwise, the effects may be the most serious, not only in terms of economic, but also social and even political. The labor market, broadly speaking, includes issues related to employment, unemployment and quality of work, productivity, earnings and labor costs. This makes the labor market one of the key issues in the EU's social and political debates. Not by chance, the Europe 2020 Strategy has as its first indicator the rate of population employment. In this respect, the European Employment Strategy (EES), with the objective of job creation, requires analytical and statistical support to track the results, to help assess the developments in the labor market.

## **2. Conceptual delimitations of the labor market**

Conducting business essentially means a continuous process of combining three basic factors of production: labor, nature and capital. The combination takes place at the level of the company, under the coordination of the essential actor of economic life - the entrepreneur. In order to be able to combine, the factors of production must first be acquired. Purchasing factories are procured by buying them from specialized markets: the labor market, the capital market and the natural factors market.

### **2.1. What is the labor market**

The labor market can be defined as the place of meeting, in space and time, in total and in structure, the demand for labor force with labor supply. This is in a relationship of dependence, both with the other factories markets and with the goods and services market. As a matter of transactions, the labor factor, the labor market, through its structuring and functioning, detaches itself from the other by specific features: the labor market is segmented and not unique and all-encompassing at the scale of the entire national economy. Structuring it on two or more sub-assemblies means that labor mobility is very high within each sector but lower among them due to a lack of homogeneity in terms of employment and remuneration, the labor market is regulated. In the contemporary economy, the labor market is no longer perfectly competitive, as it has probably never been. Like any other market, there are a lot of buyers and sellers here. Buyers are employers, and vendors are workers. They continuously carry out transactions with labor services, being influenced by the decisions of the other participants. Even if some of the participants are not active at all times, ie they are not looking for new employees or a new job, there are always thousands of companies and workers on the market who are on the market. If the subject of transactions is highly qualified employment services, which can only be provided by highly trained persons, such as engineers, doctors, computer scientists, the search area and the meeting of the demand with the offer, it can be extended to scale of the entire national economy. We are talking about a national labor market in this case. When the search can be limited locally, as is the case with installers, car mechanics or hotel maids, we are dealing with a local labor market.

### **2.2. Demand and supply of labor**

As in any other market, labor demand and supply are met on the labor market. Job seekers - employers - with job seekers - workers. Labor demand is the amount of work that employers are willing to purchase at different salary levels in order to carry out their work in whatever area of the national economy, by expressing the number of jobs they offer.

The job offer is the amount of work the active population, available for work, wishes to provide at different levels of salary, expressed by demand for jobs. The size of the labor supply is determined, in essence, by the size of the population that can and wants to work and the number of hours that each individual allocates from his time to work.

## **3. The labor market in Romania.**

The development and modernization of a country's economy can only be achieved in line with changes in the labor market, structural and occupational changes. At present, the major objective of the economic policy of all the countries and therefore of Romania is the increase of the employment rate and the decrease of the unemployment phenomenon. This goal can be achieved by establishing a balance on

the labor market between, the demand for labor force, on the one hand, and the supply of labor, on the other.

### **3.1. Population employed in Romania**

According to Eurostat data in the year 2017 in Romania the active population was 9120 thousand people, of which 8671 thousand occupied and 449 thousand unemployed. The employment rate of the working age population (15-64 years) was 63.9%. This indicator had higher values for males (71.8% vs. 55.8% for women) and closer values for the two residential backgrounds (64.8% in the urban environment and 62.7% in the environment rural). 24.5% of young people (15-24 years) and 44.5% of elderly people (55-64 years) were occupied. The highest level of employment rate for older workers was recorded among graduates of higher education (87.9%). As the level of education decreases, the occupancy rate decreases. Thus, 67.5% of people with medium education were employed and only 42.5% of those with low education. The occupancy rate of the population aged 20-64 was 68.8% at a distance of 1.2 percentage points compared to the national target of 70% set in the context of the Europe 2020 Strategy. There were higher values for the population (77.3% compared to only 60.2% for the female population) and for the urban population (69.2% vs. 68.4% for the rural population). The unemployment rate was 4.9%. By sex, the gap between the two rates was 1.6 percentage points (5.6% for men versus 4.0% for women), and for residential areas by 0.9 percentage points (5.4% for the environment rural compared to 4.5% in urban areas). The unemployment rate was highest (18.3%) among young people (15-24 years). Unemployment affected higher graduates of medium and low education, whose unemployment rate was 5.1% and 6.8% respectively, higher than the registered unemployment rate (2.4%). The long-term unemployment rate (in one year and over) was 2.0%. The share of unemployed persons of one year and over in total unemployed was 41.4%. Long-term unemployment recorded gender-specific values (43.6% for men and 37.5% for women), but very close to averages (41.5% in urban areas and 41.4% in rural areas) . For young people (15-24 years), the long-term unemployment rate (6 months and over) was 11.1%, and the long-term youth unemployment rate was 60.4%.

### **3.2. Europe 2020 strategy and its implementation on the labor market in Romania**

In line with the objectives of the Europe 2020 strategy, the European Employment Strategy aims to create more jobs throughout the European Union. The European strategy encourages measures aimed at achieving three major objectives by 2020: 75% of 20-64 year-olds are active in the labor market; reducing school drop-out to less than 10%, and increasing the share of graduate graduates in the 30-34 age group to at least 40%; reducing by at least 20 million the number of people suffering or at risk of suffering from poverty and social exclusion. These goals must also be taken into account by our country. These Europe 2020 targets are targeted at the social area - employment and social inclusion / poverty reduction - which is an acknowledgment of their essential character in the process of sustainable development and social progress and a way of strengthening the social dimension of the European Union , for the next ten years. The issue of unemployment and employment remains an important problem that may persist over time and may evolve in a negative or positive way. Solving unemployment problems is the responsibility of each state, the social partners. European institutions can issue recommendations that can only be seen as statements of principle and can provide general solutions to reduce the unemployment rate. (European Commission (2016) A new skills Agenda for Europe, COM(2016) 381, Brussels.)

#### 4. Conclusions

To ensure that the current and future generations continue to enjoy a healthy, high-quality life based on Europe's unique social models, a rapid and rapid collective action is needed. A strategy is needed to make the EU a smart, sustainable and inclusive economy characterized by high levels of employment, productivity and social cohesion. The Europe 2020 strategy meets these requirements. It is an agenda for all EU Member States that consider and respond to different needs, different starting points and national peculiarities, in order to promote the economic, social and political growth of the entire European Union. Taking into account the above, the conclusion we reached is that we need to take quick measures to motivate young people to specialize in the professions demanded by the labor market through motivational programs such as: salary increases based on performance and results, merit grading, results-based promotion, facilitating access to European funds in priority areas, creating new jobs and bringing young people into work with the completion of their studies based on the results obtained during the schooling.

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# ORGANIZATIONAL CULTURE AND ITS ROLE IN PROCESS IMPROVEMENT USING QUALITY SYSTEMS

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**Abstract:** *I explored the relationship between organizational culture and the deployment of processes improvement based on the principles of quality management systems and different ways of defining, conceptualizing and measuring the organizational culture dimensions. My hypothesis indicates that the organizational culture has an influence on processes functionality, primarily through a hierarchic culture with an emphasis on procedures and order. Organizational culture based on leadership, with a focus on human development, engagement, consultation and participation, client orientation and other stakeholder involvement appears to be a necessary condition in creating and sharing knowledge, skills and attitudes.*

**Keywords:** organizational culture, process, improvement techniques, leadership, quality, innovation.

**JEL classification:** M11, M14, L25.

## 1. Introduction

Is studying organizational culture the best way to begin the journey toward improvement within the organization? Or to link quality management systems principles to process improvement, leadership and people engagement?

We will see within this conceptual paper that the concept of organizational culture is not a unitary concept, being assessed in different ways, depending on the historical moment, namely from the perspective of definition, conceptualization and modeling. The variety of explanations, however, had a number of common points: the person, which was defined as an individual and its workplace; the organization, with its main economic function, within a defined context, being influenced by it, the research in this perspective focusing on the understanding of organizational culture from an economic perspective. These assessments are integrated with the historical factor, the local footprint, the relationship with myths and symbols in the social context. Considerations related to shared behaviors, values, consensus of all of the above at the organization level, strategy, learning, creativity and innovation, leadership, performance, change, risk, globalization, the market, the internal and external environment, stakeholders are being questioned when considering organizational culture.

Modeling and Comparison Models of Organizational Culture Proposed Over Time by G. Hofstede (1980, 1997), E. Schein (1985), Cook & Rousseau (1988), Kotter & Haskett (1989), Quick (1992), Lim (1995), Deal & Kennedy (1982, 2000), Denison (1990), Cameron & Quinn have given some dimensions to organizational culture based on its features, components, functions, and bespoke forms of manifestation.

## **2. Theoretical Background**

National and administrative culture - another way of naming organizational culture, according to Douglas et al. (2017) - are two concepts that follow their own purposes, are based on a series of principles and are implemented using specific techniques in order to benefit society as a good prerequisite for public and private actors common functionality.

As Stevenson (2003) highlights, the factors that put pressure on cultures, how a nation's culture impacts the economic and social environment, organizational culture influences the lives of organizations and stakeholders, Hofstede (1980) proposing a first model of analysis, comparing how workplace values are influenced by culture.

Corroborating the various valences of the economic exercise in several US companies - 3M, Digital, HP, IBM, Procter & Gamble, Caterpillar, Tom Peters and Robert Waterman Jr. (2004), in their successful book "In Search of Excellence. Lessons from Americas Best-Run Companies" presented the main values and practices of high performance companies. These are the following:

- A focus on action,
- A strong consumer orientation,
- Encouragement of autonomy and entrepreneurial spirit,
- People orientation as the main way to increase performance,
- Keep managers, at all hierarchical levels, connected to the technical progress and challenges of the sector in which the company operates.

Schein (1983, 1990) introduced leadership, mentioning that the most important thing the leader has to achieve is to create and maintain an organizational culture, for the benefit of the company. Porter (1985), also cited in Prajoho and McDermott (2011), emphasizes the importance of the role of managers in identifying and matching a particular type of organization performance to a particular type of culture, starting from strategic objectives. Armstrong & Ward (2005) make an interesting review of how conceptual performance management evolved, starting with the tailoring system of the 1920s, moving to the reward system of the 1930s, the importance of feedback in the 1950s and increased involvement and employee participation in the mid-1970s, the formal recognition of the process coming only in the late 1970s, early 1980s. by other considerations that are talking about resources, processes and values being the capacity of the organization to evolve dynamically towards culture.

## **3. The Influence of Organizational Culture on Processes Improvement through Quality**

The degree of innovation is, according to many researches carried out over the last two decades, only one of the key factors influencing performance, and organizational culture through its values and norms can encourage or, on the contrary, stop its development, according to Naranjo- Valencia et al. (2016). Innovation is, in most cases, related to creativity. On this perspective, the relationship between innovation and the organizational culture also is also analysed by Martin & Terblanche (2003), the culture limiting or not the creativity and innovation in an organization with the contribution of external environment, the reaction to internal or external crisis situations, the values imposed by the managers, at the organization and technological level.

Some of the most known and used techniques for improving processes - taking into consideration innovation, creativity, procedures, people engagement, leadership roles, empowerment, diagnosis, actions, problem solving, root cause, key performance indicators are PDCA, TQM, FMEA, Lean, Six Sigma, Keisen, 5S, MSA, APQP etc.

These techniques are essential both the production and services processes in order to satisfy customer needs and to assure operational efficiency and effectiveness.

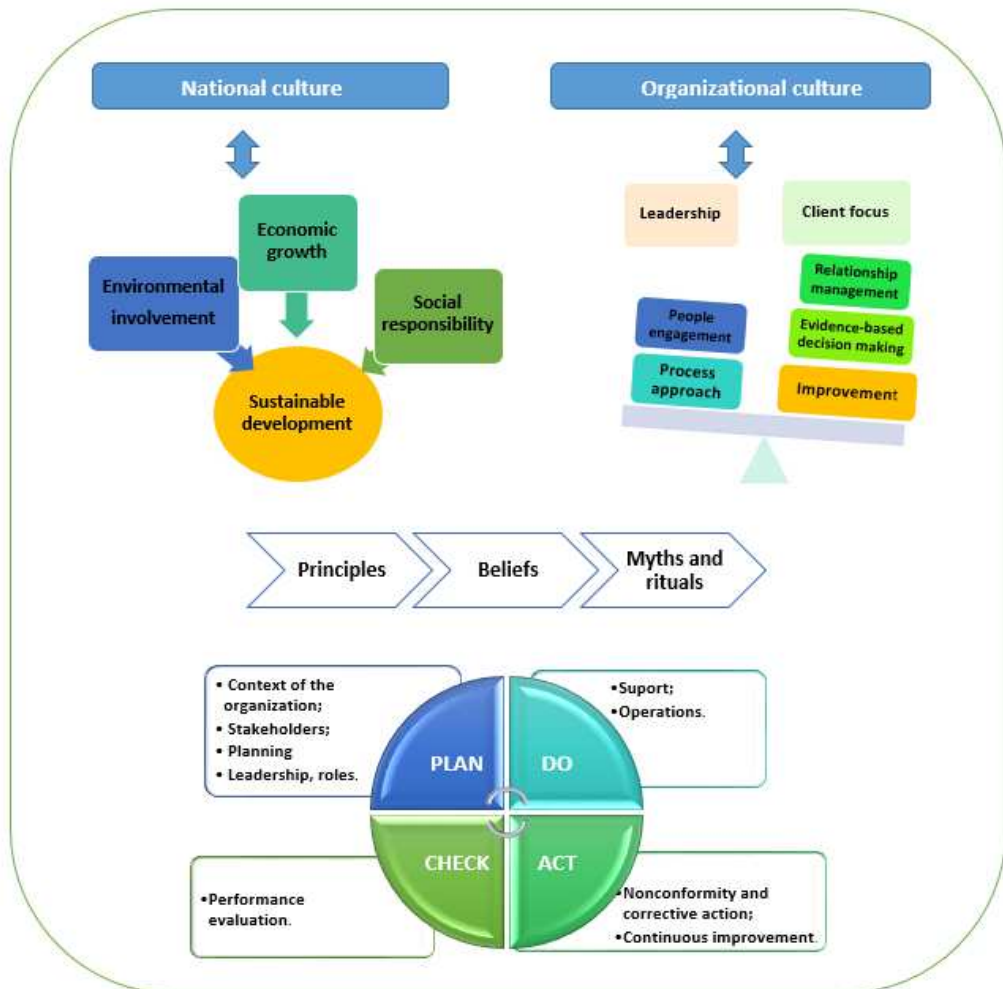


Fig. 1 Connection between national and organizational culture, their purposes and process improvement

Source: The author

#### 4. Conclusion

The principles of the quality management system are basic pillars for developing and improving organizational processes. Leadership, people engagement, process approach, relationship management, evidence-based decision making, customer focus, continuous improvement represent baseline concepts used in substantiating methods and techniques to add value. Being based on concepts, this paper wants to show that all those already mentioned are influenced by organizational culture and the way values are stated, emphasized, imposed and followed.

National culture and organizational culture influence the way quality management system principles are applied and processes are designed and afterwards deployed within an organization.



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## THE URBAN CULTURAL TOURISM: CONCEPT AND PARTICULARITIES

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**Abstract:** *The dynamics of urban tourism is the result of the action of a complex of factors among which the increase of interest for cultural objectives, the amplification of domestic and international social contacts and the development of business tourism. As a result of these factors, we can talk about an increase in the importance of urban and implicitly, cultural tourism. Analyzing the motivation of travel flows in urban space, one can conclude that attractions such as famous history and characters, cultural elements, recreation and entertainment, events and festive occasions, buildings, monuments and sculptures are among the preferences of the visitors and represent defining elements in choosing the travel destination. The image of a touristic town includes not only elements related to natural and anthropic potential, but is composed of many other factors related to economic stability, public services, infrastructure, living standards of the inhabitants etc., which together contribute to the assertion of identity of the urban destination.*

**Key-words:** tourism, cultural, urban, historical, city, heritage

**JEL classification:** Z320, Z390

### 1. Introduction

At the basis of the affirmation and development of cultural tourism, as a form of recreation and knowledge, there are three main requirements: to protect and preserve the entire cultural heritage - national and international; to prepare and provide high quality tourism services; to respect the way of life of indigenous peoples.

Another approach, centered on the organization of the cultural tourism product, mentions that in order for a trip to be included in the sphere of cultural tourism, it must meet certain conditions: to be motivated by the desire of knowledge; to make use of a tourism product of cultural significance (monument, work of art, show etc.); to assume the intervention of a mediator - person, document, audio-visual material - to highlight the cultural product.

In this context, the interconnections of cultural tourism with the other forms of tourism, the presence of cultural motives in recreation, spa etc. are explained.

### 2. Urban cultural tourism - concepts and characteristics

Starting from the premise that a large number of cultural attractions and events are located in urban centers, cultural tourism crosses the urban one. Indeed, many papers consider the cultural tourism as a form of urban tourism, most travels in the city being motivated by leisure and cultural programs.

The dynamics of urban tourism is the result of the action of a complex of factors among which the increase of interest for cultural objectives, the amplification of domestic and international social contacts and the development of business tourism. As a result of

these factors, we can talk about an increase in the importance of urban and, implicitly, cultural tourism.

Urban cultural tourism represents those travels that refer to visiting the objectives related to the historic heritage (archaeological and historic sites, monuments, castles, religious buildings, parks and gardens etc.), visiting museums (archeology, history, natural sciences, art etc.), participation in cultural events (opera, ballet, theater, music festivals, dance, film, traditional celebrations etc.), industrial and technical tourism (sightseeing), specific constructions, urban architectural assemblies etc.).

Since the historical attractions are predominantly in the cities, cultural tourism is naturally associated with urban tourism. (Richards, G., 1999)

Competitive investments in the cultural facilities and the infrastructure needed to host tourists in urban areas have a direct impact on the economy and induce an improvement in living standards. Moreover, an urban cultural center is a “factor that determines the value of the city that adds to other local factors (accessibility, fiscal climate, human capital, stability), which determines the competitiveness of the city in the global economy”. (Van den Berg et al., 1995)

Space organization of cultural resources in the city and their relations with the infrastructure (hotels, transportation, commercial areas) are important for the success of the development strategy for cultural tourism.

The cultural sector of a city consists of the physical characteristics of the city and cultural heritage, on one hand, and the cultural facilities in the widest sense, including events, exhibitions, institutions and infrastructure, such as theaters, museums, galleries, libraries, recreational facilities and trade with art, on another hand. (De Brabander, G.; Gijsbrechts, E., 1994)

While the products themselves are relatively immobile due to their partial non-reproducible nature, in the so-called historical destinations, complementary activities can be freely located in the vast tourist region.

### **3. Theories on the urban cultural tourism**

#### **3.1. Theory of the life cycle of tourism destinations**

Specialists in the field have shown that any tourist location has a development path that follows a cyclical pattern. The initial enunciation of Butler's lifetime scheme in 1980 uses as an absolute measure the absolute number of visitors. (Butler, R.W., 1980)

In the first stages of tourism development, the city attracts tourists who can be considered as pioneers. The attention given to a particular city may not never reach a level of tourist interest, but if it reaches this level, there will be numerous investments in infrastructure, services and promotion. The city could enter in a stage of development. In this period, the material and non-material benefits coming from the tourism activity will increase a lot and the local economy will have an upward trend.

In the next stage of development, local industry is being strengthened and foreign investors appear. As the number of tourists increases, it is reached the threshold of hosting capacity, followed by overcrowding and stagnation or even a tourist decline in the conditions the environmental characteristics of the respective tourist area are negatively affected. Thus, tourists will head to other areas.

The lifecycle model promotes an active touristic management that smoothes the fluctuations predicted by visitors and leading to avoidance of decline through a “strategy of renewal of that area” (Van den Borg, J., 1991).

### **3.2. The theory of agglomerations, cultural agglomerations and the tourism industry in historic cities**

Agglomerations are the specific organizations in the network. They can also be defined as systemic geographically focused relationships, relationships between public and private organizations in a particular industry, relationships with different purposes and occurring in different forms. Most often they are based on principles of collaboration as a result of historical and socio-economic links between agents.

The economic weight of tourist goods packages dominates the production process by offering little chances of coordinating local distributors, poorly organized and highly specialized. Offering a package of services is far more profitable than offering alternative itineraries or visits to specialized museums as long as there is no coordination strategic relationship between tourism operators and the cultural industry. Even if there is a potential demand for less standardized products, it may not be convenient for the tourism industry to provide these services.

In the long run, this model does not meet the challenges of international competition and maintenance of the comparative advantages enjoyed by historic cities. Moreover, it leads to the weakening of the bases of social and economic circumstances on which the continuity of the local community depends.

### **4. Policies and programs sustaining urban cultural tourism**

In this context, a European policy for European urban centers has been established for the valorization of the existing cultural assets, oriented towards the development of the components of the tourism product offered, as the development of the internal and external transport modes, ensuring a fluent circulation, encouraging less common transport.

Since 1990, with the support of the Council of Europe, a series of cities have the status of cultural capitals of the continent. These concerns prove the interest shown towards the cultural phenomenon at the national, regional and world-wide level for the development of new cultural policies, in order to provide wider access to culture, active participation of citizens, better recognition of cultural and linguistic diversity, encouraging creativity, finding partnership-based funding solutions between public, private and civil society etc.

As a result of the overburdening of Europe's great patrimonial cities in the last decade of the 20th Century, the idea of supporting small towns with alternative forms of culture may reduce the flow of tourism in these large metropolises. In this respect, certain activities can be capitalized or special technical objectives can be built.

### **5. Conclusion**

One of the fundamental features of tourism planning is the creation of a favorable image of the city for both the visitors and the local communities in their ensemble. In this context, an important role is played by urban marketing, whose main purpose must be to create a strong link between public policies and consumer demands, contributing to the overall vision of the strategy.

The image of a touristic town includes not only elements related to natural and anthropic potential, but is composed of many other factors related to economic stability, public services, infrastructure, living standards of the inhabitants etc., which together contribute to the assertion of identity of the urban destination (Badulescu and Badulescu, 2014).

In a narrow sense, touristic urban planning includes a set of specific solutions and actions aimed to organize, arrange or rehabilitate the urban space meant to contribute to the increase of the role of tourism in local economies, its harmonious integration among other urban functions and, on this basis, the increase of the attractiveness of the touristic city.

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# OPTIMAL MONETARY AREAS AND MONETARY POLICY. AN ANALYSIS OVER WORLD POWER CENTERS

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**Abstract:** *The phenomenon of power in international relations has always caused interest. The current international environment is extremely amplified and interconnected, and developments in recent decades have led to the creation of a multipolar system. At present, the competition between power centers in the world economy is manifested at all levels of power, especially from an economic perspective. There is a clear desire for the Western European states that are members of the European Union and the BRICS to be detached from their financial dependence on the US dollar and the United States financial instruments. We propose to analyze whether there are correlations between the monetary policies adopted by these entities and the characteristics of the optimal monetary areas. If monetary policy moves closer to the optimal monetary area specifications, then does that global influence increase?*

**Keywords:** power centers; monetary union; economic power; optimal monetary area; monetary policy

**JEL classification:** E42; E52; E58; F02; F33; F45; F50; O50

## 1. Introduction

In the academic environment and politics, there are many debates about the power relations in the world economy. The topic is interesting and generates different approaches of specialists from different structures of society. Associated with terms such as force, influence, domination and authority, power has a broad framework of definition and interpretation depending on the domains in which it manifests itself. Thus, in a sociological view, power manifests itself in social relations as an imposing of own will despite the resistance encounter (Zamfir & Vlăsceanu, 1998, p. 478). On the other hand, from a geopolitical perspective, power is considered a way for society to guarantee its survival (Nivaldo, 2001, p. 24), while in military terms; it expresses the ability to carry out the military actions necessary to promote its own political interests and its own security, but also of its allies (Ancuț, 2009).

A more synthetic view is that of Gerard Kebabdjian, according to which power is the ability of economic or political entities in the world economy to significantly influence international relations. This capacity includes five plans: physical (existence of natural resources), military, economical, political and cultural. Of all this, the most important is the economic dimension, divided into four plans: industrial and service, monetary-financial, IT and research – development (Kebabdjian, 1994, p. 297).

With these considerations, we believe that power has an essential role in social and international relations, being represented by an actor which through economic, moral, political, military and cultural methods, imposes his own will on the behavior of other actors. In the following, we have proposed a theoretical research, based on the

literature, of the role played by the existence or inexistence of optimal monetary areas in the establishment of world powers.

## **2. Power politics and optimal monetary areas - theoretical foundations**

The transition from US-Soviet bipolarity to American supremacy, followed by current multi-polarity, has increased interest in studying economic power on all its plans. These phenomena have been studied by many authors, depending on the international environment. In the last decades, the international system is shaped as a multi-polar structure. It is believed (Huntington, 1999, pp. 35-36) that there is a superpower (United States) and a series of regional powers (China, Russia, Germany, Japan, France, India, Nigeria, Brazil and South Africa). On the other hand, the United States, the European Union and China are seen as entities capable of influencing the international environment through their decisions, which can be confirmed or blocked by Russia, Japan and India, viewed as secondary powers (Khanna, 2008, pp. 17-21). Although international organizations and companies influence transnational policy, and while United States dominates military dimension, power relations have a multipolar structure, grounded in the influence of the US, the EU and the BRICS (Nye, 2011, pp. 14-15). Their actions over different economic forms, including monetary ones, are correlated with the degree of financial development of each.

"The optimal monetary area is why the cost of giving up flexible exchange rates or the realignment option is lower than the benefits of a single currency" (Marinas, 2008, p. 156). According to the same theory, a deeper monetary integration leads to a larger commercial opening of the economy (Marinas, 2008, pp. 155-213).

According to Radu Golban and Grigore Silasi, the optimal monetary area represents the path to be followed between stable and flexible exchange rates. The dilemma of the best option has a direct correlation with the balance of payments disequilibrium. They explain that the methods of preventing and eliminating the imbalance are based on the exchange rate. Exchange rate fluctuations lead to an increase or decrease in the competitiveness of domestic products, ultimately leading to a balance of payments adjustment. Thus, in the case of flexible exchange rates, the country can pursue an autonomous monetary policy (Golban & Silași, 2009, pp. 18-21).

## **3. Optimal monetary areas in relation to the main global power poles**

In acquiring the status of world power, the monetary policy of the states also involves an important role. Global power is also characterized by a coherent monetary policy, a strong currency and a strategy for imposing the single currency as a currency used in international trade. The more the characteristics of a monetary union approach the characteristics of an optimal monetary area, the more likely the entity is to become a world power. In our analysis we have stopped on three entities that are considered poles of global economic development. On the one hand, we have the BRICS countries, which are considered development poles. And, on the other hand, we have two world powers: the European Union and the United States of America.

### **3.1. BRICS – lack of a common monetary policy**

Within this "group of states" we cannot discuss a common monetary policy, because each state has its own monetary policy, namely its own currency.

Brazil, its stagflation, regional disparities, as well as political instability cannot create the conditions for predictability of monetary policy. The Russian Federation, by the nature of the formation of the state, is a monetary union. We are talking about a unique

currency, ruble, which has an unpredictable evolution. In the last 25 years, the ruble has gone through two major depreciations against the dollar. India, with its Indian rupee, is facing a high level of corruption and an extremely high poverty rate. Even if we talk about a developing economy, which has succeeded in attracting many investors, we still have a large proportion of our population living on less than a dollar a day. China has the second largest GDP in the world, but it is at half the world's GDP per capita. Even if it is the world's largest exporter, most of the Chinese currency reserves are in US dollars. At the same time, China has the most American debt. In the case of China, we cannot talk about acquiring world power through monetary policy. South Africa is the most developed country on the African continent. But we cannot say that it also plays an important role in the world economy.

### **3.2. European Union - a monetary union under construction**

The second world power on which we stop is the European Union. At present, the European Union plays an important role in world trade, and at the heart of its development is the European single currency. The euro is the second most used currency worldwide after the US dollar. However, when we talk about the European Union, we are not talking unanimously with the euro.

Out of the 28 countries, only 19 EU countries have joined the euro area, other countries using the euro have been negotiated with other euro zone countries under the approval of the Council of the European Union: Vatican, San Marino, Monaco and Andorra. Without the agreement of the Council of the European Union, the euro is still used in Montenegro and Kosovo. The European currency is also used in the former French, Portuguese and Spanish colonies, which have retained their dependence on European countries. Even if they met all the criteria for joining the Euro zone, the Great Britain and Denmark received derogation from not adhering to the single currency, so they did not give up monetary sovereignty but joined the community (Padoa-Schioppa, 2000, pp. 168-181). Although it has not formally received any derogation, Sweden is not interested to join the European single currency.

At the level of the European Union, we have a monetary policy assumed by all states, but that is not an immediate priority, and the member states can only join at the time they consider to be a good one. The European Monetary Union is not an optimal monetary area, but it is on a favorable path. Within the monetary union, we are talking about fixed exchange rates between members, and a fluctuating exchange rate is used in relations with foreign countries.

### **3.3. The United States - an example of good practice**

The last world power analyzed is the United States of America. The world's main power has the most influential currency in the world. The US dollar is the most used currency in world trade. We can consider the United States as a monetary union, a union that is the closest to what an optimal monetary area should look like in theory. The main advantage of the United States is represented by the lack of a development gap between the constituent states. Within the union, we speak of a free movement of all factors of production.

In addition to all these features, the dollar has been and still is being used as a reference currency. This also comes from the backing of the golden dollar in the past. The strong economy of the United States of America and its dominant power in the world is also due to the consistent and predictable monetary policies that the governments have succeeded over time in the country's leadership have had.



#### 4. Conclusion

Following the analysis of the various hypotheses in the literature, we can conclude that we have three great powers with their own monetary policy overlapped with the characteristics of an optimal monetary policy. If the BRICS countries do not have a common monetary policy, so we cannot discuss that they are characterized by a single currency, the situation is different for the European Union and the United States. The European Union has in its composition a monetary union. Although we can consider at the moment that the euro area is at a relatively early stage, it has gone through many challenges. However, the euro is an important currency of today's importance. On the other hand, we have the United States, the single currency that meets most of the features of an optimal monetary policy. This is also reflected in the dominant US dollar position in the global economy. Nevertheless, this study opens the possibility to further thorough research about these three world powers and about the financial conflicts between them.

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## Financial indicators and methods used in the investment decision process

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**Abstract:** *The main focus of this paper is to analyze and find out which methods and financial indicators are used by the investors in taking the investment decision and also how the investor behavior is influenced by the first view of the accounting information. For sure the investment decision is not an easy and fast process, being a result of an elaborate analysis of the factors that influence the stock market. The analysis of a trading process must be done quickly, in the majority of cases, as the time factor is one of the most important investors' opponents. The players on the stock markets must base and apply decisions in a short time in order to not miss the opportunity generated by the time factor as we know that stock prices are very dynamic.*

**Keywords:** fundamental analysis, investors, technical analysis, stock exchange, market

**JEL Classification:** M40, M41

The way in which the investors act on a stock exchange, despite the country they are part of, is different from one individual to other, considering also that the way of thinking and acting makes us unpredictable and completely different. However, investors can share common goals and values, core behaviors and decisions that lead to a "profit-making" universal goal.

Continuing the idea of analyzing the investment decision, the investors face in every moment certain repetitive questions, such as: "Should I invest in these actions today?", "What prices will be tomorrow, next week or next year for these financial instruments?".

For sure the investment process should be much easier if we knew the answers to these seemingly simple questions. In the literature, we find various scientific papers, in which the authors treat and try to find the answers to these questions. Thus, since the nineteenth century, forecasting theories on stock market prices had emerged. In this context, we recall the theory developed by Charles Dow, which laid the foundation for technical analysis, the method used with success even these days.

Palicka (2012) underlines also that the evidence shows that the market timing is not easy and there is no magic formula that will tell an investor if the market is overvalued or cheap (indicating if it will soon plunge or rise). However there are two theories that investors apply when they take into consideration a potential investment: fundamental analysis and technical analysis. Fundamental analysis involves the use of economic data (e.g. production, consumption) to forecast prices, whereas technical analysis is based primarily on the study of patterns in the price data itself (Schwager et al, 2016).

## **1. Fundamental analysis**

We can consider the fundamental analysis as the basis of the investment process, without which investors are unprepared against the impact of news feeds, company earnings announcements or macro-economic data. The basis of the fundamental analysis is the study of the quantitative factors such as the annual rates, the dividend distribution rate, the price / earnings ratio -  $P / E$ , but also the study of qualitative factors such as management performance, market share, product categories, clients and suppliers, of a company listed on the stock exchange. All the factors listed above contribute to deciding and determining the company's intrinsic value.

In a convenient way for the investor, he/she must buy financial securities at a company that is undervalued, meaning that the current market price is below the intrinsic value or the expected price. Targets are often calculated by brokerage houses primarily based on the update of future net earnings or available cash flows. Investors should use a buy-and-hold strategy over a 12-month horizon.

In the framework of the fundamental analysis, a lot of calculated indicators that can be interpreted differently by investors, depending on the strategy each of them applies. Very important is what indicators are chosen in order to consolidate an investment decision in the sense that they must be relevant to the field in which the traded company operates.

The economic and financial indicators are easy to determine, calculate and interpret and they show us the position and the performance of the company and which contribute to the shaping of an overview of the financial situation of the company listed on the stock exchange (Baltes, 2013). The purpose of this analysis is to identify the specific vulnerabilities at the level of each activity category. Analysis of the financial balance based on information in the profit and loss account is the starting point for the investigation of an activity and represents approximately 60% of the relevant information in an analysis report.

Added value is one of the most significant indicators of the economic entity's activity and measures its contribution to the production and distribution of goods, and by summing it contributes to the formation of gross domestic product - with some adjustments in the national economy.

The gross operating surplus (GOS) is the portion of income resulting from the operation and used to develop the company's productive potential and to pay the capital used.

Self-financing ratio is an indicator expressed in monetary terms (receipts and payments) and expresses the enterprise's ability to ensure its development through its own financial resources.

## **2. Technical analysis**

The term "technical analysis" sounds complicated for a primary approach to the investment process. Technical analysis is the study of financial market actions, primarily by using graphs, in order to predict future price trends.

The basis of today's modern technical analysis was drawn up by Charles Dow, a theory developed at the end of the 19th century. Charles Dow's ideas were published in a series of editorial writing for the Wall Street Journal. It was also the one who created the first two stock indices, namely Dow Industrials and Dow Transportation. Dow's research includes fundamental principles and tools used in actual transactions such as the price evolution in trends, confirmation and divergence, volume mirroring, price movements, levels of support and resistance, etc.

This theory, founded by Charles Dow, is probably the oldest technical and formal approach to the market. It is also currently used to indicate price changes or "twists" and market trends as a whole or for individual titles. This theory is based on the premise that the market evolves by chance and is influenced by three distinct cyclical tendencies that determine their general orientation. By following and observing these trends, estimates of the general market trend can be made.

Applying this method can be calculated not less than 24 indicators that contributed to substantiating the "technical decision". After practicing the technical analysis we can observe more delicate elements regarding the evolution of financial titles. For example, investors with oscillating behavior will tend to move their range of variation by market type.

Dow defines two types of markets: bull market and bear market

A bull trend is formed by a series of rallies where each rally exceeds the highest point of the previous rally. The decline between rallies ends above the lowest point of the previous decline. A series of successive higher highs and higher lows.

Each successive rally fails to penetrate the high point of the previous rally. Each decline ends at a lower point than the previous decline. A series of successive lower highs and lower lows.

A bear trend starts at the end of a bull trend: when a rally ends with a lower peak and then retreats below the previous low (Cagan, 2016). The end of a bear trend is identical to the start of a bull trend.

## Conclusions

The financial reports contain precious information for investors as they can calculate stock indices whose results can directly influence the players' behavior on the stock exchange. Starting from the idea that they need to buy at cheap prices and sell expensive in different times, in the market evolution, over the time there have been developed different models and methods that define the behaviors of investors as presented above, in the body of the paper (technical and fundamental analysis).

As conclusion, we can resume that the technical analysis refers to studying price charts and making estimates for future developments, while fundamental analysis tells us why to buy or sell a company's shares. In addition, the technical analysis tells us when it is the best time to buy or sell the shares of that company.

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# EVOLUTION OF THE ROMANIAN LABOUR MARKET BETWEEN 2000 - 2017

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**Abstract:** *In this article we reviewed the negative effects of contemporary economic and financial crisis both on the national economy and on society. The reason why we chose the analyse this subject is to take a close look at the economic crisis and its financial effect on contemporary economy. The study is based on a comparative analysis regarding the labour market and the unemployment rate at regional level in Romania. We can separate two periods regarding developments on the labour market in Romania after 2000. Between period 2000 – 2005, and is characterized as a period of profound restructuring of the Romanian economy. According to statistics of National Institute of Statistic after 2005, employment development is moving towards a new crisis on the labour market, but it is cause is not unemployment, but rather a decrease in demand on the labour market. The period, from 2007 up to the present, a period of relatively high unemployment rate and efforts were directed primarily at limiting unemployment and the negative effects on society.*

**Keywords:** labour market, unemployment rate, evolution, regional level, statistical review, crisis

**JEL classification:** E24, R23, E29

## 1. Introduction

The labour market is strongly segmented and is characterized by the coexistence of two forms of deficits: *the labour demand deficit (unemployment) and the labour offer deficit (vacancy jobs)*. As these deficits are obvious in the case of some different occupations or of some different regions, then they will have a weak compensation. The labour market in Romania is made up of law and other regulation that try to get closer to the European Union. The Oxford Dictionary of Economics defined the labour market as the process by which workers and employers are brought into contact, and wages and conditions of work are decided.

The main research objective of this paper is to analyse from statistical point of view regional indicators of labour market mechanisms occurring in Romania and highlighting the socio-economic profile of each Romanian region and identifying the determinants of the regional labour market. The 1990 year char brought significant changes in the structure of the main indicators of the labour market in Romania (Stanef, 2014, p. 62).

In order to follow these changes, which can highlight regional convergence and divergence, the study case of this research we analyse the evolution of the following indicators: *population employment by regions and sectors, evolution of the active population, the distribution of the employers by sectors and the evolution of the unemployment rate* in Romania between 2000 - 2017.

## 2. Theoretical Background

The unemployment influenced the entire society, the state lost income tax from the possible wage earners and has to pay for extra services like medical services, social services; the company lost the benefits they would have obtained if they had used entire personnel; a small national production due the smaller number of workers. On the other hand the unemployment growth increases the labour force supply, which may end with a general dropping of incomes (*Badulescu, 2006*).

Reality has shown that the labour market is a dynamic market, employment tenders entering and exiting from unemployment with a remarkable rate, which helps us to an explanation and more profound understanding of the phenomenon of unemployment (*Gogonea, 2009, p. 116*).

David C. Colander considered unemployment occurs when people are looking for a job and cannot find one. The unemployment rate is the number of people are looking for a job as a percent of those people in the economy who are willing and able to work. When an economy is growing and is in expansion, unemployment is usually falling; when an economy is in a downturn, unemployment is usually increasing, although often with a lag (*Colander, 1997, p.165*).

From statistical point of view the labour force demand may be quantified by the number of employed people or vacancy, the statistical indicator corresponding to the number of employed population.

In some studies (*Schneider et. al, 1989, Schneider, 2011*), the employment labour demand is highly correlated with changes in the real unit labour cost. Within the model developed by Belot and van Ours (2001), the labour force demand is regarded as the real wage (the difference between the gross wage and the price level) and by other institutional factors such as the payroll taxes, the employment protection and the active market policies. From economic point of view the labour force represents the number of people available for work.

The population working age is affected by the school leaving age and the size of the further and higher education system, which keeps down the number of older workers. The unemployment affects the number of discouraged workers who have effectively withdrawn from the labour force. The labour force is also affected by a country immigration policy and the degree of effort put into actually enforcing it (*Oxford Dictionary of Economics, 2012, p.261*).

## 3. Economic analysis labour market

The firm's objective is to maximise profits, furthermore if the firm is operating under condition of perfect competition, the marginal revenue associated with selling extra units of output will be a constant equal to the price of the products sold. For example if the firm hires labour in a competitive labour market with a wage rate fixed at  $W_x$ , it will pay the firm to hire  $L_y$  units of labour to maximize the profit (*Reekie W.D., 1983, p.327*). When the supply and demand curves for labour are placed on the same graph, the equilibrium wage is where the quantity supplied equals quantity demanded. At this wage labourers are supplied. The labour demand curve shows the quantity of labour that firms plan to hire each possible real wage rate.

The reason why the quantity of labour demanded depends on the real wage rate is the firms care only about the amount they get for their output. If money wages and prices change in the same proportion, the quantity of the labour that firms plan to hire is unaffected. The lower the real wage rate, the greater is the quantity of labour that firm plan to hire. That is, the labour demand curve slopes downward, just like the demand curves.

The labour supply curve shows the quantity of labour that households plan to supply at each possible real wage rate. The higher than the real wage rate, the greater is the quantity of labour that households plan to supply.

The reason why the quantity of the labour supplied depends on the real wage rate is that households care only about the amount they are paid for their labour relative to the price they must pay for the things they buy. If money wages and prices change in the same proportion, the quantity of the labour that households plan to supply is unaffected. Labour demand and labour supply interact to determine the level of employment, unemployment and real wage rate.

Classical economists arguing that if the capital market failed to reach equilibrium, flexible wages and prices would still ensure full employment. Wages and prices are readings on an automatic thermostat. If saving exceeds investment, then aggregate supply exceeds aggregate demand. This deficiency of demand presses prices down as firms accumulate unwanted inventories, resulting in lay off and causing temporary surpluses in labour markets. If wages and prices fall, the quantities of goods and labour demand would cause the thermostat of price adjustments to generate wage hikes and price increases.

## **Conclusion**

In summary classical economy depends on flexible interest rates, prices and wages to ensure full employment. This theory suggests that price level stability depends only on a stable money supply so that aggregate spending is relatively steady. Some modern economists of the classical school, like Keynes and Say believe a gold standard would guarantee a stable money supply. In the classical model the supply of labour depends positively on real wages, the Keynesian labour supply analyses it is different from the classical model supply because includes persons that are outside the work force.

During the crisis the national economy was characterised by high unemployment rate and imbalances of labour market.

Keynesian fiscal policies can be a solution in recession, if the government increase the investment rate in private sector could increase the real GDP growth and reduce the unemployment rate.

Between 2000 - 2017 the Romanian labour market suffered many changes in terms of the volume and structure of the main labour force indicators. This period was characterised by the reduction of the economically active population and of employment, with a relatively constant level of the unemployment rate. However the financial crisis, starting in the second quarter of 2008, had an effect on the structure of the labour force, while reducing employment, bringing an increase of the phenomenon of unemployment.

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# INFLATION AND UNEMPLOYMENT TRENDS IN ROMANIA BETWEEN 2000 - 2018

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**Abstract:** *The main objectives of this paper is to study and analyse the evolution of the inflation and unemployment rate in Romania between 2000 and the second quarter of 2018 from statistical point of view. The study is based on a comparative analysis regarding the inflation and the unemployment rate in Romania. The theoretical background of this research methodology used to accomplish this work is based on macroeconomic principles and theories, such as recent statistical data taken from the official website of the National Institute of Statistics, the Romanian National Bank, Ministry of Labour and Eurostat. Unemployment and inflation are two of the most important economic variables that are reflected our daily lives. It is a very complex inverse correlation, as Philips' curves show, as we will see in this article. The modern economic theory and study emphasizes the fact that between unemployment and inflation, two macroeconomic indicators which influence the lives of many people, directly and indirectly.*

**Keywords:** Philips Curve, inflation rate, unemployment rate, evolution, statistical analysis, correlation

**JEL classification:** E24; E31; C44; C55; R15

## 1.1 Inflation

Inflation is a persistent tendency for prices and money wages to increase, is measured by the proportional changes over time in some appropriate price index, commonly a consumer price index or a GDP deflator. Because of changes in the type and quality of goods available, measures of inflation are probably not reliable to closer than a margin of 1 or 2 % per year, but if prices rise faster then this there is no doubt that inflation exists. (Oxford Dictionary of Economics, p. 235)

Inflation means a continuous rise in the price level, many economists agree that high inflation rates are inevitably accompanied by a roughly proportional increase in the money supply and that high inflation rates are associated with expectations of inflation of approximately those rates, when inflation is really high say 40 %, the money supply will be increasing by about 40 % and people will be expecting approximately 40 % inflation. High inflation rates are inevitably accompanied by high money growth and high inflationary expectations. From economical point of view we can distinguish cots and demand inflation.

Demand inflation is due to too much aggregate demand. Once started inflation tends to persists through an inflationary spiral, in which various prices and wage rates because others have risen. The inflation tax is the real cost to the holders of money due to its loss real purchasing power during inflation. Hyperinflation is extremely rapid inflation, in which prices increase so fast that money largely loses its convenience a medium of exchange.

Inflation tax - the effect of inflation on the real value of money and government debt denominated in money terms, if the population of a country hold money equal in value to 10 % of GNP and the government debt equal in value to 30 % of GNP, annual inflation of 10 % removes an amount equal to 1% of GNP from the real purchasing power of their money balances, and an amount equal to 3 % of GNP from the real value of their security holdings. This is equivalent to a tax of 4% of GNP. The government can incur a nominal budget deficit equal to the yield of inflation tax without increasing the real value of its debts, including issue of money. (Oxford Dictionary of Economics, p.236)

## 1.2 Unemployment

Unemployment is among the major problems not only in less developed and developing countries but in developed countries as well. It spells out the extent of poverty a household will have to sustain.

Unemployment can be considered a global macro social flow generated by causes that have to be the economic situation of users, or the status of tenders for work. On the one hand the emergence of unemployment, on the other hand, its maintenance and alteration represent aspects that may be considered only in connection with the real system of market economy.(Gogonea R.M, 2009, p.116)

Unemployment measurement is necessary to develop policies and strategies to mitigate this phenomenon, of employment, in correlation with actual and future state of the national economy.(Burda M., Wyplose E C., 2002)

## 2. Economical analyses of the relation between inflation and unemployment rate

Inflation rate and unemployment rate are two important factors of economy. There are lots of economists and scientists who still discuss the correlation between them. To answer the question How do they influence each other and is there any trade-off between these two macroeconomic indicators?, we need to analyse the works dedicated to the topic, give the definition to the concept of the Phillips' Curve, we can consider the evolution of the economic point of view for inflation and unemployment of outstanding economists of last century, analyse the statistics of inflation and unemployment in Romania with the help of graphs. (Toma .S, 2010)

Strongly influenced by the premises of the Phillips' Curve<sup>1</sup>, this study determinate the relation between unemployment rate and inflation rate.An additional explanatory variable, age dependency ratio, was introduced to investigate this form of unemployment which is based on the premise that a high age dependency ratio would result to lower unemployment.

A high unemployment will lead to a phenomena on that labour markets do not work like other markets. Imbalance resulted should have an alternative that would create a balance between demand for labour by firms and the demand for household work. This creates the possibility to stabilize the unemployment rate. As a relative dimension of the phenomenon, the unemployment rate is calculated as the ratio between the mass percentage of unemployment (average number of unemployed) and one of reference parameters: active population, active available population, engaged population plus unemployed, employed population.

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<sup>1</sup> The Phillips curve shows the inverse trade-off between inflation and unemployment. As one increases, the other must decrease. In this image, an economy can either experience 3% unemployment at the cost of 6% of inflation, or increase unemployment to 5% to bring down the inflation levels to 2%.

Until 2000, Romania had a very irregular transition, especially due to the discontinuity of political reforms. Romania's economic growth can be explained mainly by increasing domestic consumption and foreign investments. Increases in consumption do not lead to economic growth on medium and long term without increases in production and productivity. Romania's economic growth revealed the first signs of fragility right after its accession to the EU.

Phillips A. analysing information with statistics for the long period, he came to a conclusion that there is a certain level of unemployment 6 – 7 %, in which the wage level is constant and its increment is zero. When unemployment falls below this natural level, we can see a more rapid increase in wages, and vice versa.

High unemployment rates and high inflation rates exists together because expectation of inflation have been built into contracts. (Kitov I, 2017).

Breaking these inflationary expectations with tight aggregate demand policies is a painful process. It is only through the hardship of unemployment or the threat of it that the market persuades individuals and institutions to reduce their demands. A number of suggestions have, however, been made to reduce wage and price increases in a less painful manner:

- - incomes policies
- - the indexation of labour contracts, that is, providing for automatic changes in money wages during the contract period to compensate for inflation, and the result of a strong, definite credible anti-inflation policy so that expectations of inflation will be quickly adjusted downward. The original Philips' Curve showed the rate of change a money wages rather than inflation on the vertical line. The inverse correlation between inflation and unemployment should be intuitively easy to grasp. Based on the fundamental principles of supply and demand, inflation to be low when unemployment is high, and vice versa. (Nitzan J.,2010)

A.W. Phillips was one of the first economists to present compelling evidence of the inverse relationship between unemployment and wage inflation. Phillips hypothesized that when demand for labour is high and there are few unemployed workers, employers can be expected to high wages up quite rapidly. However, when demand for labour is low and unemployment is high, workers are reluctant to accept lower wages than the prevailing rate, and as a result, wage rates fall very slowly.

A second factor that affects wage rate changes is the rate of change of unemployment. If business is booming, employers will bid more vigorously for workers , which means demand for labour is increasing at a fast pace percentage unemployment is decreasing rapidly, than they would if demand for labour is either not increasing or is only increasing at a slow pace. However, this relationship is more complicated than it appears at first glance, and has broken down on a number of occasions over the past twenty years. As inflation and unemployment are two of the most important economic variables that affect us in our daily lives, it is important to gain an understanding of their association.

## **Conclusions**

Until 2000, Romania had a very irregular transition, especially due to the discontinuity of political reforms. During the crisis the national economy was characterised by high unemployment and inflation rate and low GDP growth. However the financial crisis, starting in the second quarter of 2008, had an effect on the structure of the labour force, while reducing employment, bringing an increase of the phenomenon of unemployment. We can find a huge difference in the early years, when the crisis began

and in the period 2010 - 2012 this difference decreased. The existence and the form of the correlation between unemployment dynamics and GDP growth it was verified. We have a period defined by a great economic instability in the first years: in this period increased unemployment rate and decrease the inflation rate and GDP, followed by a longer period during 2000 and 2008 when the inflation rate growth and GDP growth had an increased evolution, while the index of the unemployed persons dropped constantly. In 2008 the global financial crisis effects reached our country as well, manifesting themselves first on the labour market, then, after eight years of a decreasing number of unemployed persons, the indicator increased as regards the previous years.

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## **THEORETICAL ASPECTS ON ENTREPRENEURSHIP**

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**Abstract:** *Entrepreneurship is a contemporary form of involvement of individuals in community life. It contributes to economic growth because entrepreneurs are creating new businesses. This article includes a theoretical approach to entrepreneurship, which describes the characteristics, principles, types of entrepreneurship, culture and education in entrepreneurial activity. Entrepreneurship is a recognized phenomenon at global, national and local level. It is a topical theme that has prompted the interest of researchers in various fields to be associated with economic growth and economic development, creating new jobs, improving living conditions, technological progress being assimilated to prosperity.*

**Keywords:** entrepreneur; entrepreneurship; culture and entrepreneurship education; Entrepreneurship, entrepreneurial activity.

**JEL classification :** L26, D01

### **1. Introduction**

When the term entrepreneur has begun to be used very often in the context of economic development, his features have received particular attention.

The evolution has made the economists pay special attention, including by determining the psychological profile that includes the following characteristics: a high level of ambition, the need for performance, work experience, worthy of behavior, prediction for assuming the risk. (Kent, Seton, Vesper, 1982, p.2).

Entrepreneurs are important promoters of growth, employment, innovation and productivity. Developing entrepreneurial skills for young people has positive effects on their social status in the sense of gaining financial independence and social recognition. Due to this, the effects are felt at both local and national level through economic growth and, implicitly, rising living standards.

Starting from Adam Smith's theoretical entrepreneurial contributions Richard Cantillon, Jean Baptiste Say, Alfred Marshall, Iosef Schumpeter, Israel Kiryner and Frank Knight, OECD and Eurostat agreed on the following definition:

Entrepreneurs are business people who are trying to generate value by creating or developing economic activities by identifying and exploiting new products, processes and new markets;

### **2. Stages of entrepreneurial evolution**

According to the Global Entrepreneurship Monitor (GEM), certain conditions that influence entrepreneurship are different and complex from one country to another, we can not conclude that a stage in the development of entrepreneurship will naturally lead to the next level (eg: an economy with the large number of potential entrepreneurs is not implicit and an intense entrepreneurial activity).

Types of entrepreneurs after the stages of involvement in entrepreneurial activity:

A. Potential Entrepreneurs: It is the group of those with financial resources to start a business that has identified market opportunities but does not intend to launch their own business due to fear of failure.

b. Entrepreneurs determined: In the case of potential entrepreneurs, the intention to start their own business is supported by the perception of society as regards entrepreneurs, the status they enjoy in society and the positive position with which the media describes entrepreneurial activity.

c. Start-up entrepreneurs: include entrepreneurs who have started their own business and are up to 3 months old on their own feet.

d. New Entrepreneurs: They are the ones who have between 3 months and 4 years in their own business.

e. Consolidated entrepreneurs: are those entrepreneurs who have a business older than 4 years.

f. Suspended entrepreneurs: this category includes entrepreneurs who have interrupted their entrepreneurial activity.

In Romania, according to GEM Romania, the situation of these categories of entrepreneurs is illustrated in the table below:

**Table 1:** Entrepreneurial Activity of Romania 2007- 2013 (%)

Entrepreneurial Activity	2007	2008	2009	2010	2011	2012	2013
Potential entrepreneurs	13,6	11,5	9,4	10,65	27,71	30,78	26,82
Start-up entrepreneurs	2,90	2,54	2,79	3,2	5,56	5,51	6,2
Entrepreneurs of a new firm	1,30	1,56	2,30	1,09	4,51	3,83	4,2
Entrepreneurs in the initial phase	4,02	3,98	5,02	4,29	9,89	9,22	10,1
Entrepreneurs of a well-established firm	2,50	2,07	3,38	2,08	4,57	3,91	5,3
Entrepreneurs motivated by opportunity	2,68	2,12	2,76	2,94	5,68	6,94	6,78
Entrepreneurs motivated by necessity	0,56	1,37	1,71	1,27	4,09	2,23	3,20

**Source:** ( Own processing after GEM România, APS 2007-2013)

According to Table 1, you can observe a growth of the potential entrepreneurial percentage from 13,6% in 2007 to 26,82% in 2013. The percentage lowered in 2007 until 2009 and it grew from 2009 to 2013. You can observe that the number of whom intended to initiate a business in the coming 3 years which is in a growth but it needs to be looked after even if it is followed by an entrepreneurial behavior. The percentage in the forming entrepreneurs case grew from 2.90% in 2007 to 6.2% in 2013, the percentage from 2012 being with 0.05% smaller than 2011 and the 2013 percentage is bigger than the 2012 one being with 0.05% smaller than in 2011 and the percentage from 2013 is

bigger than the one from 2012 in the end even if there is the intention of making a business there is no active implication in the entrepreneurial activity. The number of owners of new businesses grew from 1.3% in 2007 to 4.2% in 2013, the percentage from 2011 being bigger with 0.7% than the one from 2012. Subsequently, in the year 2013 you can observe a new growth compared to the year 2012. The percentage of the entrepreneurial activity in the incipient stage grew approximately 5% in the period 2007-2012, from 4.02% to 9.21%, but in the year 2012 is with 0.68% smaller than in 2011. Again, we can observe that in 2013 there have been a growth of nearly 1% than in 2012.

### **3. The basic characteristics of the enterprise of the entrepreneurial organization**

Entrepreneurship is a form of activity based on the following features:

**The initiative**, the entrepreneur does not wait for directions but manifests initiative, mobilizing financial, material and human resources, in order to produce goods and sell them.

**Making the decision independently**, the entrepreneur takes decisions about the business and traces the directions of the company's development.

**Innovation**, the entrepreneur is the innovator, the rationalizer, who tends to produce goods or services or to implement new ways of producing or delivering them.

**Risk**, the entrepreneur risks his reputation, with his investments, that is, the resources invested in the business.

More and more, it is confirmed that both economic growth and prosperity depend on entrepreneurs. They strive to create and offer products / services demanded by consumers, making their lives easier, increasing their productivity and improving their health. In fact, the presence of entrepreneurs and entrepreneurship is necessary to encourage and introduce change in society (Borza et al., 2009).

### **4. Essential principles of entrepreneurial activity**

In the project phase of a business, when the needs, values, dimensions and advantages of the business are established, the goal of the entrepreneurial activity must also be prefigured. The entrepreneur must know, at this stage, the principles that will guide his entire activity:

- Developing clear objectives, strategies and action plans that will be systematically reviewed in context,
- Producing and delivering goods or services that people want,
- Attracting and retaining a client,
- Making enough profit to attract potential investors and keep existing ones,
- Providing rewards (material and moral), stimulating human resources.

### **5. The need for culture and entrepreneurial education**

The concept of entrepreneurial culture has become popular and internationally accepted as an expression of attitude towards trade at a certain level of business. It describes a positive attitude, permissive and socially supportive of entrepreneurial activity.

(Morisson, 2000). Entrepreneurship education encompasses all activities designed to stimulate entrepreneurial thinking, entrepreneurial attitude, but also personal skills to identify business opportunities, set up, develop and innovate a business.

The pillars that facilitate the development of entrepreneurship are: access to finance, regulation and taxation, education and training, entrepreneurial culture.

- It can be said that there are three top reasons to start your own business:  
 52% Self-fulfillment, possibility to put into practice their own ideas  
 26% Independence  
 13% Perspective of additional revenue
- There are also three obstacles considered most useful for starting their own business:  
 38% Lack of start-up capital  
 16% Fear of failure  
 15% Uncertain economic situation

**Table 2** : Barometer of Young Entrepreneurship Culture and Education 2014, Romania

Profile of young people from an entrepreneurial perspective	%of the total number of subjects
They want to start their own business in the next 2 years	52%
They are willing to work hard for what they want to get	97%
Considers the vision of the most important quality of a successful entrepreneur	58%
They prefer to be entrepreneurs and not managers	57%
They are willing to take risks	86%
They have a family entrepreneur	56%
They have at least one entrepreneur in the circle of knowledge outside the family	82%
They gave a helping hand to an entrepreneurial firm	51%
Lack of start-up capital considered an obstacle to becoming an entrepreneur	38%
I want to become entrepreneurs after the accumulation of experience	56%
Self-fulfillment, the opportunity to put into practice your own ideas	52%

**Source:**(Own work after Young Entrepreneurship Education and Culture Barometer, 2014)

It can be seen that most 97% of young people are open to work to achieve their goals and take the risks 82%, but only 56% are available for entrepreneurial activity. We can assume that they are not prepared for assuming these responsibilities 38%.

Young people prefer to a larger extent entrepreneurs and do not hire 57% to complete their studies, and most would like to start their own business in the next two years 52%. We are especially talking about students in the year of economics faculty terminals. Young entrepreneurs need entrepreneurial education through specific courses and entrepreneurial practice.

## 6.Conclusions

Entrepreneurship is a complex concept that is and can be analyzed under different aspects. His analysis of the attitude of this activity reveals that there is, among young people, openness and determination for such an activity, but

Even though entrepreneurship has gained attention only in recent years, and has increased the interest of researchers due to the importance it attaches to, the concept has a much longer history, the first forms of entrepreneurial initiative dating back to the earliest times. Entrepreneurial activity is intentional planned behavior, and the



formation of entrepreneurial intentions depends on personal attitudes towards the act of setting up a business. The decision to become an entrepreneur is voluntary and conscious.

It can be noticed that for all the years you study, the biggest and rising share is the potential entrepreneurs, which is an optimistic picture of the Romanian entrepreneurship. But they should be among the start-up entrepreneurs after a year, among the other categories in a few years, which, we know, does not happen.

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## THE MAINSTREAM AND THE MULTISTREAM APPROACH TECHNIQUES SPECIFIC TO CLASSIC PROFESSIONAL ORCHESTRAS

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**Abstract:** *The classic professional orchestra has very specific characteristics and responsibilities, namely: to provide high-quality musical service, to nurture the public's desire for music, to serve the needs of their community, to be ambassadors of and for their community, and to preserve the cultural heritage. The musicians perform a mechanistic activity derived from the rigidity of the musical score, the strict hierarchy of the orchestra, high level of standardization and specialization. The conductor's behavior is more mainstream orientated, with a touch of multistream elements, such as motivation and encouragement. The same dual approach is noticeable in the managerial style, as a result of the awareness of permanently tracking the assertion of the role played by the orchestra. Mainstream approach characterizes the sound organism's activity, while the entire organization has a tendency towards multistream management, aiming to maximize the satisfaction of multiple stakeholders.*

**Keywords:** Organization, Orchestra, Management, Mainstream, Multistream

**JEL classification:** L82, M10, L32

### 1. The Classic Professional Orchestra Organization

#### 1.1. Literature Review

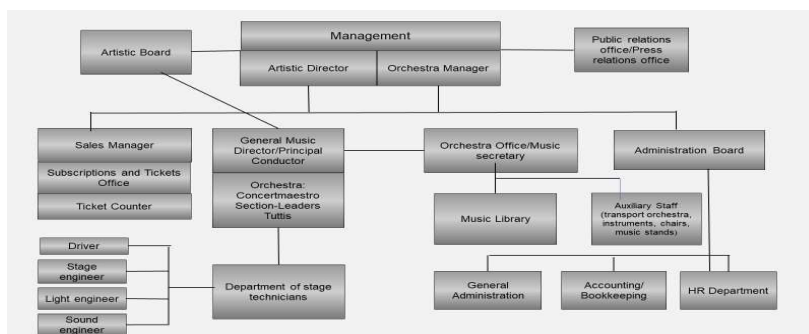
“The organization is a systematic arrangement of resources, mainly human resources, but also material, financial, informational resources, arrangement with a specific purpose, namely the achievement of a certain primary purpose, a goal or structured set of objectives, or the realization of a certain activity with finality” (Bibu, Prediscan, Sala, 2008). All the resources combined lead to multiple valences inside the organization, such as the liaison between people and their activities (planning, organizing, leading, controlling), their responsibilities and authority, the relationship between the organization and the environment, and catalyze towards a well-defined purpose. “Organization is a goal-directed, deliberately structured group of people working together to achieve results” (Dyck and Neubert, 2009).

The classic professional orchestra represents a “mélange of musicians, volunteers, paid off staff whose contributions must be closely coordinated to accomplish the orchestra's work” (Allmendinger, Hackman and Lehman, 2005). The orchestra falls under the category of organizational fields that, “in the aggregate, constitute a recognized area of institutional like: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services and products” (DiMaggio and Powell, 1983). The suppliers are the schools of music, the music universities, the producers are the musicians and the management, the public is

the service/product consumer, and the State is the regulatory agency. The organization's nucleus is the sound organism represented by the musicians, which are a group of people motivated by their talent and love for music, characterized by perseverance and dedication, united by the desire to express their work and skills through sound and interpretation of the classic repertoire, (Adrians, 2017). Highly trained musicians, hours of productive individual and group practice to achieve technical and interpretative excellency, disciplined conduct and obedience to the conductor, alongside with competent managers who understand, support and promote the pool of talents that an orchestra is offering, while in the same time foster personal and group expectations, ensure the organization's success.

### 1.2. The Organization's Structure

The orchestra's structure varies according to the type of orchestra: theater/opera, philharmonic, radio or chamber orchestra, on the legal form and partnership with concert halls/venues, on the size of the orchestra, and form of ownership (state, private or mixed). Worldwide, the structure of the symphony orchestra organization looks similar: the management is represented by the orchestra's manager and the artistic director, both in strong bond with public relation and press release office. The artistic director, who is sometimes the principal conductor, is on top of the artistic board, and it is assisted by the first chair violinist (concert maestro) and the section-leaders to whom the *tuttis* subordinate. *Tuttis* is the Italian word that describes the entire orchestral sound organism (with the exception of concert maestros and section leaders). When an orchestra has its own concert hall, there is also a department of stage technicians: stage, sound, light engineers and driver.



Schmitt-Otto (1999). Structure of a German Symphony Orchestra (with its own concert hall)

### 2. Mainstream and Multistream Management Aspects

The ancient Greek philosopher and scientist, Aristotel, defined the purpose of management as the instrument that can maximize people's happiness. Referring strictly to the management of an art performing organization such as the orchestra, we conclude that its management can be defined as the art of orchestrating all the resources of an orchestra: procuring them, structuring them according to strict procedures, coordinating the processes that use these resources, controlling the procedures according to the set standards, and controlling the results achieved compared towards the planned level. We identified elements of mainstream managerial approach when analyzing the sound organism due to its mechanistic activity: written rules given by the musical score, high level of standardization, the

musicians are professional-specialized people, a strict hierarchical structure within sections of the sound organism. We can sense the mechanistic characteristic of the sound organism's activity in Turkovic's (1998) statement: "There is no other activity in which forty, eighty or one hundred twenty people are doing the same thing together, with a precision of a tenth of a second, starting and finishing together".

Based on our analysis and observation, we formulated the following hypothesis: the nucleus represented by the sound organism (the orchestra) of a performing art organization such as the symphony orchestra is a very rigid structure, a mechanistic type structure. Its activity is standardized (everyday individual practice), specialized (different orchestra sections, practice within sections), centralized (the concert maestro adds the articulations, fingering and bow stroke, the conductor leads the dynamics and the interpretation, the authority is divided) and departmentalized (all the tasks performed fit together harmoniously). The conductor's behavior reflects more of a mainstream managerial approach technique for maximizing the productivity, the quality of the performance, in this case, the quality of the concert. We have also identified multistream elements in the conductor's behavior, such as motivation, participation encouragement, experimentation.

The structure of the orchestra is a pyramidal one: at the pinnacle is the conductor, next in line of authority and responsibility are the concertmaster and section-leaders (first-chair or principal player for each instrument), and the strict hierarchy disseminates to the tuttis. Even when two musicians share a note stand, the lower ranked person turns the pages to a higher ranked person (Flanagan, 2012). The conductor is responsible for coordinating and conducting the musical interpretation of this "sound organism". "The musicians must be able to predict the conductor's behavior in order to trust his intentions and follow his directions. The conductor's positions must be clear." (Zel and Onay, 2012).

According to Rentschler and Potter's (1996) "the purpose and objectives of performing arts organizations are not to minimize the costs of a given production from a profit-maximizing argument, but to capture a much broader perspective". Some of the best practices of the performing art organization come from a multistream management approach that places greater emphasis on multiple forms of well-being for multiple stakeholders. The internal stakeholders of an orchestra are: the musicians, the public, the managers and the financiers, while the guest conductors, guest soloists, composers, media partners, service providers or other partners (festivals, concert halls, music universities, schools) are the external stakeholders. Multistream orchestra managers find ways to raise the satisfaction of multiple stakeholders. A small gesture of appreciation can generate a big change (Dyck and Neubert, 2009). An eloquent example was given by the Mannheimer Philharmonic Orchestra (MPO). The MPO has offered a live stream from Euro2016 (UEFA European Championship) in the hallways of the Rosengarden hall, Mannheim, at the end of a concert. This was set as a surprise for the public, as a sign of appreciation for the audience support over the entire season, and to give the musicians the possibility to watch their national team game. A nice buffet and even a small soccer field playground for the children was set. The happiness on people's faces when they walked out of the concert hall to find everything ready for watching the German national soccer team's game, was impressive.

A multistream manager will welcome the input of all the stakeholders, will invite them to participate in making various decisions. Kurpfälzisches Kammerorchester Mannheim (KKO) started a new line as a new concert format, "Traumkonzerte" (Dream Concerts). For October to March, in a conservative location, Mannheim Castel's Baroque Knights Hall, the public lays down on comfortable mattresses, with a small pillow and a blanket,

while a light installation enhances the ceiling's beautiful frescoes. As part of the first management function - planning, the manager of the KKO has identified the needs of the society, chose the appropriate alternative, relied on intuition based on tacit knowledge and experience, developed a project and implemented it. The fact that the musicians from KKO played very engaged can be because they were consulted in the early steps of decision making. If the managers embrace a multistream approach and place more emphasis on stakeholders' participation, it is less likely that they will meet resistance from them, in this case, the musicians, clients, local community members.

### 3. Conclusions

The orchestra's activities are managed effectively and efficiently if the two complementary approaches are used for the supreme good of the organization, like the two sides of a single coin. After conducting 4 open interviews with 4 types of classic professional orchestras' managers, we concluded that the managerial style has changed and reflects a more participative character, rather than authoritarian. The road for innovations towards a multistream management approach is open, but the mainstream attitude seems more specific. The strictness of the legal working contract, the rigorousness of the act of performance, the specific expectations from the most important funding body, namely the State, make less room for multistream elements. Despite these limitations, the case studies indicate that if the orchestra manager and its top management team are willing to choose the multiple stakeholder management approach, the results are far better for all the stakeholders involved.

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# THE RELIGIOUS FOUNDATIONS OF RABBI HIRSCH APPROACH TO MANAGING EDUCATIONAL INSTITUTIONS

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**Abstract:** *The paper discusses the religious foundations of the approach to managing educational institutions proposed by Rabbi Samson Hirsch, in Germany in the 19<sup>th</sup> century. In order to do this, the life and main achievements of rabbi Hirsch are presented, in direct relation with his innovative approach to Jewish education and management of schools. His writings are analysed in order to identify the foundations of his new approach. Hirsch centered his theory on the traditional saying "The studying of Torah is good with DerekhEretz (the courtesy)". An analysis of management principles and concepts based on the religious values of Jewish faith is also provided.*

**Keywords:** management, leadership, spiritual values, Rabbi Hirsch, Jewish

**JEL classification:** M10; M14;Z12.

## 1. General introduction and background

Rabbi Samson Hirsch was born in Hamburg, Germany, on June 19, 1808, and died in Frankfurt am Main, Germany, on December 31, 1888. The years in which he was active were replete with far-reaching changes for European Jewry in general, and for German Jewry in particular.

## 2. The concept of Torah with Derekheretz

Hirsch centered his theory on the traditional saying "The studying of Torah is good with DerekhEretz (the courtesy)". This saying was interpreted in many different ways and got lots of meanings in Hirsch's time and after he died. In this paper, we discuss and find out what is the definition of "courtesy" ("earthly way", literally) and what the connection is between the values in the conflict of "theory" and "courtesy".

The definition is expressed in a series of basic values in Judaism that Hirsch expanded in his book "Horev" and in his various writings. These values formed the basis of his educational management philosophy and even the practical implementation of the school he established.

As well, it seems that his interpretation is guided by a following point of view: the ambition to determine the extent and the essence of the connection between the Torah (theory) as the highest and unchangeable value on the one hand, and, on the other hand, the education and culture which are affected by transformations and change.

In his commentary on Avot, Hirsch (1994) writes that *Derekheretz* encompasses every activity in which man is involved, along with its various implications; its function is to perfect man's existence, his mission, his relationship to others on earth, given the means and circumstances provided by the earth. Therefore, this concept signifies the man's livelihood, his life in the civil sphere, as well as the courtesy, generosity,

fairness, and other commonly shared norms within society, as well as all manner of cultural, human, general and civil patterns of behavior.

Hirsch emphasizes the fact that God is not just the Giver of the Torah, but also the Creator of the world, who put into place the laws of nature. God speaks to man from within nature and from within history, and by considering them, man can learn about his Creator. However, it is not sufficient to observe nature alone. Man is also called upon to act and to achieve in his lifetime.

The concepts of "science," "Judaism that comprehends itself," "plan of life," and "spirit of Judaism" serves as key concepts in the *Nineteen Letters*, and are repeated, in varying formulations, in Hirsch's other writings.

The motto of "Torah with DerekhEretz" emphasizes those functions in the economy and in society that must be promoted as the basis for equality, rights and human happiness. Rabbi Hirsch believes that, through loyalty to Torah and its commandments, this combination can become a force that shapes the personality, worldview and lifestyle of the Jew in the modern era.

This is reflected in three areas. First, at the personal level, that is, in the religious individual's religious and cultural consciousness. All of this is, of course, measured against the views of the Torah, but these join with the individual believer's inner world, which is open to impressions from life and the discoveries of the spirit.

Second, in the realm of the general worldview, Judaism has to be explained from within its own sources and its understanding of itself. There is a fundamental correspondence between the traditions of Israel and the ideals of mankind, and there is a process of encounter and adaptation between culture and Judaism.

Third, in the public and educational realm, a positive attitude to the phenomena of life, art and culture is essential, rather than distancing or isolating itself from them. Hirsch views the phenomena of life, culture and science as a field with equal rights within the educational system.

In his writings, particularly the eighteenth of his *Nineteen Letters*, Hirsch turns to man, to his personality, and challenges each man to experience, to desire, to commit himself, to recognize and take responsibility for his own life. Man is called upon by Hirsch to think, to achieve, to want, and to seize with his own power that which is desirable for him and that which ought to be respected and appreciated.

Observing and understanding nature and all that is around you, is a step towards finding appropriate goals for your own life and if you are a manager for your organizations to find and set the appropriate goals for the organization you are managing. Based on analyzing all that is around you and your organisation, one is able to identify several solutions for acting within the surrounding environment in order to achieve both long-term and short-term individual and organizational set goals (Lowell, 2008).

That is actually the planning process taking into account the achievement of material goals both effectively (life that is healthy) and efficiently (life economically well based), and also the achievement of spiritual goals effectively (sanctifying the material world) and efficiently (achieving the higher level of a complete Torah religious based lifestyle). The immediate practical implication of this conception for Hirsch's time (in the 19<sup>th</sup> century) was that in an era of emancipation, modernization of the society (German, in his case) one must abandon the life of the ghetto, accepting the conditions of modern life as a positive *DerekhEretz*, and live a Torah life under those conditions. This is not to be viewed as a concession, or out of utilitarian considerations. Hirsch argued that this should be done out of an ideal, an understanding that within the conditions of modern life there is the inherent potential for the development of a full Torah life that is more all-encompassing than under the conditions of the ghetto. He provide a clear

path to achieve this ideal, fulfilling also the role a leader has for guiding his followers towards the realization of their common vision.

The innovation in Hirsch's thought lies, therefore, in the centrality of the concept of Torah with Derekh Eretz. From his point of view, this is the Judaism's eternal message, the fundamental on which everything else is dependent. Indeed, given the background of his times, Hirsch's words also addressed the challenges of modern time, and provided a valid alternative path to young people wavering between a life of Torah and the acquisition of a modern profession. Notwithstanding this, Hirsch does not see his concept merely as a means of saving German Jewry. Rather, he saw it as the essence of Judaism as a whole, something reflected in every chapter of the Torah and every statement of the Sages.

### **3. Managing religious educational organizations**

Applying these principles in an educational organization, Rabbi Hirsch also provided practical solutions to planning, organizing, motivating employees and students and controlling, in order to achieve the effective and efficient functioning of the schools he founded and managed.

I consider that from a managerial point of view, Derekheretz is a way to build and manage an organization as an open system, strongly connected to its external environment (Lowell, 2008). The organization being formed by individuals and groups in an orderly manner and functioning towards the accomplishment of a common set of goals, provides a framework for the individual to act for achieving his role in the world and also to contribute to the world becoming a better place. Consequently, managerially speaking, Derekheretz represents a multiple stakeholders approach to managing an organization (Dyck and Neubert, 2010), based on a spiritual approach, offered by the foundations of Jewish religion.

Stern (1987) says that Hirsch's conceptual philosophy is the starting point for his educational theory. The principal themes in Hirsch's views on education, as set out in his writings, are as follows: a). Presentation of the educational ideal of the Jewish person as a synthesis between the universal ideal and the uniqueness of the Jewish religion; b) Proposal of a teaching program, based on a new didactic concept and on a combination of subjects, without separating Judaic studies and secular studies.

Hirsch took on himself a theorizing mission to define a meaning of the Jewish life in collision with the developed German culture and a practical mission of building an educational social institution for the traditional Jewish public trying to give the new direction with the new traditional education. The main starting point of Hirsch's activity was fixing the grounds of traditional education and implementing his theory in all the fields of life. His main tendency was as he put it "loyalty to Jewish own qualities and developing Jewish meditation from its origins", by the words of Haineman (1955) in his researches on Hirsch.

Hirsch's educational theory cannot be separated from his personal biography, just as one cannot separate the theories and personal histories of many educators. Both his devoted assistants, who carried on his work and his students, attribute to him characteristics that are indicative of the personality of an outstanding educator and manager. According to them, Hirsch excelled in his consistency, in his harmony of thought and emotions; in his ability to measure his views by their consistency with his world view, in his self-control and inner strength, with his moral duties guiding him in all that he did. The memoirs of his students and the descriptions of their experiences attest to the originality in his teaching methods and to the combination of a close



concern for his protégés combined with the reverence that accompanied their contact with him.

#### 4. Conclusions

We consider that Rabbi Hirsch was a real leader, able to formulate a compelling vision and mission, based on religious values, to communicate it clearly and convincingly to the members of the Jewish community, to energize them into undertaking needed actions to apply in their life the principles he taught to them.

We also consider that he was also a successful entrepreneur and a performant manager because he founded and managed two general schools, in which young Jews received a good education, with particular emphasis on training them both as good Jews and useful citizens. He established new principles in school management, which are quoted in his writings as the foundations of the Torah's laws. We consider that studying his principles and method are valid for today's management of educational institutions in Israel.

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## ASSESSING INFORMATIONAL EFFICIENCY THROUGH GROSS NATIONAL INCOME PER CAPITA

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**Abstract:** *The present study uses an adapted version of Kristoufek & Vosvrda (2013) methodology for the construction of an Efficiency Index, based on long-term memory, fractal dimension and approximate entropy as input variables, computed through different estimation models. By applying the methodology on 28 stock market indices across the world we observe a direct connection between the level of informational efficiency of a country and variables such as: the type of market (developed, emergent, frontier market), the geographical location, and the period. Further, we use the Bayesian generalized linear model in order to test for the dependence of efficiency on the economic development of the country, measured through the Gross National Income per Capita.*

**Keywords:** Capital market efficiency, Hurst, Fractal dimension, Entropy, Bayesian generalized linear, Gross National Income per capita

**JEL classification:** G14, G15, C10, G1, O4, P0

### Introduction

One of the milestone theories of modern finance is represented by the Efficient Market Hypothesis, postulated by Eugene Fama in 1965, and summarized in the epigram “asset prices fully reflect all available information”. (Fama 1991, p. 1575).

Regardless of its limitations, the hypothesis was accepted over time, mainly due to the stability of the financial markets in a time-span of more than 20 years. However, the recent financial and economic turbulence offered new arguments to the criticism of EMH. Its main postulates (informational efficiency, rationality in decision making, effective and self-corrective mechanisms of the market), can be critically examined in the light of recent empirical evidence that suggests that financial markets may present an intrinsic functional instability.

Given the need to understand the dynamics of financial markets and the pricing mechanisms, the testing of the informational efficiency hypothesis remains a fundamental problem for economics. In this sense, the present study aims to contribute to a better understanding of market mechanisms, by testing for information efficiency using the methodology proposed by Ladislav Kristoufek and Miloslav Vosvrda in their study entitled *Measuring capital market efficiency: long-term memory, Fractal size and approximate entropy*, published in *The European Physical Journal B*, 87 (7), p. 162, and then to study whether or not there is a relationship between informational efficiency and the Gross National Income (GNI) of the indices considered.

## 1. Methodology

In order to test the informational efficiency hypothesis, we took into consideration the methodology proposed by Ladislav Kristoufek and Miloslav Vosvrda in their study entitled *Measuring capital market efficiency: long-term memory, Fractal size and approximate entropy*, published in *The European Physical Journal B*, 87 (7), p. 162. The methodology was applied on the closing prices of the markets listed in Table 1, with monthly frequency, from January 2000 until December 2017. Subsequently we obtained an Efficiency Index, which considers three main variables: The Hurst Exponent (H) - an indicator of long-term memory, with a value of 0.5 benchmark for efficient markets; The Fractal Dimension (D) with a value of 1.5 benchmark for efficient markets, and the Approximate Entropy (AE), with a value of 1 for efficient markets.

### *Efficiency Index*

The Efficiency Index is a procedure for classifying the financial data series to compare their levels of efficiency, depending on the distance between the current market position and an ideal market in terms of efficiency. The most efficient market is the one with the lower value of the index.

For our case, the formula for calculating the efficiency index is as follows:

$$IE = \sqrt{\sum (Mhurst.-0,5)^2 + (MFD-1.5)^2 + ((Ment.-1)/2)^2} \quad (1)$$

where:

Mhurst – Expected Value of Hurst variable, using 2 estimators (Sperio and Whittle)

MDF – Expected Value of Fractal Dimension, using 11 estimators (Variation, Variogram, Madogram, Rodogram, Incr1, Hall-Wood, Box-Count, Periodogram, Wavelet, Dctll and Genton)

Ment. – Expected Value of Entropy, using 1 estimator (approximate entropy)

### *Efficiency index and the Gross National Income per Capita*

Within this paper we analyze the relationship between the GNI per capita of the countries considered and the efficiency index of each country, as we start from the hypothesis that the economic development of a country measured in GNI per Capita has an impact over the informational efficiency of the country considered.

## 2. Results and discussions

As specified earlier, the country with the lowest value of the efficiency index is the most efficient one. In our case, Denmark occupies the first position, with an index value of 0.395, and part of the developed countries group, followed by India with an Eff. Index of 0.439, and Brazil with an Eff. Index of 0.460, both emerging economies. The least efficient country is Netherlands, with a value of 1.129 for the index.

Amongst the main results obtained in the present paper we highlight: (1) The existence of inefficiency intervals, within both developed and emerging countries, characterised by a non-negligible link between past and present, persistence (deterministic behaviour), anti-persistence (random-chaotic behaviour with more intense movements than random ones), and a high data complexity, suggested by the massive deviations from the efficiency level of 1 in the case of approximate entropy; (2) Those inefficiencies are linked also with the level of development of the countries considered: developed markets are characterised by higher levels of efficiency, while the emerging markets are characterised by lower levels of efficiency, and the period analysed.

In order to test for the dependence between market efficiency and the level of development of the countries considered, through the variable GNI per capita, we used the Bayesian generalized linear model, a more adequate framework for complex or

hierarchical models, as it is coherent, with consistent inductive inference, and it allows the use of external information to improve the estimates of the linear model coefficients. The results are presented in Table 2.

**Table 1 – Efficiency index results at the global level (2000-2017)**

COUNTRY INDEX	FRACTAL DIMENSION											ENTROPY	LONG TERM MEMORY		EFFICIENCY INDEX	RANK
	Variation	Variogram	Madogram	Rodogram	Incr1	Hall-Wood	Box-Count	Periodogram	Wavelet	DctII	Genton		Sperio Estimator	Whittle Estimator		
OMX 20	1.59	1.47	1.52	1.59	1.43	1.65	1.42	1.46	1.63	1.56	1.56	0.45	0.50	0.45	0.39	1
SENSEX	1.49	1.47	1.50	1.49	1.45	1.50	1.37	1.68	1.66	1.69	1.59	0.50	0.50	0.56	0.44	2
IBOVESPA	1.47	1.46	1.46	1.47	1.40	1.39	1.39	1.56	1.68	1.73	1.48	0.43	0.50	0.47	0.46	3
Hang Seng	1.44	1.45	1.47	1.44	1.42	1.45	1.49	1.59	1.69	1.72	1.59	0.32	0.50	0.47	0.49	4
S&P500	1.57	1.47	1.54	1.57	1.39	1.61	1.38	1.43	1.67	1.74	1.57	0.45	0.50	0.38	0.49	5
ISEQ	1.46	1.41	1.45	1.46	1.36	1.52	1.26	1.71	1.58	1.69	1.44	0.45	0.50	0.56	0.51	6
S&P/T SX	1.41	1.42	1.43	1.41	1.41	1.41	1.32	1.47	1.66	1.77	1.41	0.44	0.50	0.62	0.52	7
KLSE	1.45	1.40	1.41	1.45	1.31	1.43	1.27	1.43	1.63	1.77	1.36	0.49	0.50	0.55	0.55	8
BEL 20	1.47	1.42	1.44	1.47	1.29	1.41	1.25	1.80	1.60	1.64	1.44	0.53	0.50	0.52	0.55	9
SMI	1.42	1.44	1.44	1.42	1.37	1.54	1.22	1.57	1.65	1.76	1.46	0.38	0.50	0.45	0.56	10
STI	1.47	1.39	1.43	1.47	1.31	1.47	1.16	1.54	1.63	1.69	1.45	0.45	0.50	0.59	0.56	11
FTSEMIB	1.49	1.47	1.49	1.49	1.40	1.47	1.35	1.77	1.69	1.81	1.50	0.44	0.50	0.39	0.57	12
MERVAL	1.51	1.49	1.48	1.51	1.42	1.49	1.30	1.80	1.70	1.77	1.48	0.42	0.50	0.43	0.58	13
ATX	1.39	1.34	1.38	1.39	1.22	1.37	1.35	1.76	1.61	1.65	1.38	0.51	0.50	0.58	0.60	14
KSE 100	1.38	1.49	1.40	1.38	1.44	1.47	1.30	1.70	1.70	1.77	1.32	0.38	0.50	0.42	0.61	15
FTSE 100	1.67	1.57	1.63	1.67	1.56	1.66	1.30	1.62	1.69	1.77	1.72	0.50	0.50	0.57	0.62	16
KOSPI	1.50	1.53	1.52	1.50	1.57	1.56	1.35	1.92	1.73	1.68	1.51	0.38	0.50	0.47	0.63	17
PSI 20,	1.50	1.53	1.52	1.50	1.57	1.56	1.35	1.92	1.73	1.68	1.51	0.38	0.50	0.47	0.63	18
CAC 40	1.54	1.47	1.52	1.54	1.39	1.61	1.30	1.92	1.67	1.73	1.59	0.41	0.50	0.43	0.65	19
IPSA	1.52	1.46	1.48	1.52	1.45	1.56	1.51	1.92	1.71	1.78	1.48	0.29	0.50	0.59	0.66	20
IPC	1.50	1.59	1.53	1.50	1.66	1.49	1.19	1.90	1.71	1.70	1.51	0.43	0.50	0.58	0.68	21
PSEI	1.50	1.43	1.46	1.50	1.43	1.38	1.25	1.94	1.64	1.82	1.48	0.48	0.50	0.54	0.69	22
S&P/A SX 200	1.55	1.47	1.52	1.55	1.44	1.52	1.35	2.00	1.66	1.82	1.48	0.45	0.50	0.51	0.70	23
Nikkei 225	1.49	1.43	1.47	1.49	1.38	1.53	1.32	2.00	1.67	1.71	1.50	0.31	0.50	0.50	0.70	24
JKSE	1.32	1.35	1.33	1.32	1.27	1.33	1.18	1.77	1.59	1.67	1.29	0.56	0.50	0.55	0.71	25
DAX	1.58	1.46	1.52	1.58	1.34	1.57	1.10	1.89	1.69	1.69	1.58	0.44	0.50	0.38	0.73	26
IBEX 35	1.48	1.54	1.52	1.48	1.52	1.57	1.28	2.00	1.72	1.81	1.54	0.32	0.50	0.50	0.75	27
AEX	1.46	1.81	1.65	1.46	1.85	1.85	1.32	2.00	2.00	2.00	1.49	0.31	0.50	0.59	1.13	28

**Table 2** - Bayesian generalized linear model results  
Dependent variable: EFFICIENCY INDEX

	<b>Global (January 2000- December 2017)</b>	<b>January 2000- December 2008</b>	<b>January 2009- December 2017</b>
<b>GNI per Capita</b>	0.031 (0.065)	-0.019 (0.0420)	0.026 (0.033)
<b>GNI^2 per Capita</b>	-0.222*** (0.004)	-0.112** (0.030)	-0.086*** (0.020)
<b>Residual deviance on 26 degrees of freedom</b>	3.9998	1.2345	0.83167
<b>Null deviance on 28 degrees of freedom</b>	6.8980	1.8438	1.31932
<b>Akaike information criterion</b>	3.0916	-11.96	-20

The results stated in Table 2 suggest that the GNI/Capita has a negative impact on the efficiency index, over all periods of analysis, meaning that a higher level of gross national income reduces the efficiency index value, meaning that it has a positive effect on the informational efficiency. Compared to the global level, during the first period, from January 2000 to December 2008, and the second period (2009-2017) we observe a lower impact on the dependent variable, but in the same direction.

The residual deviance and null deviance suggests that the model is well fitted, results confirmed also by the low values of Akaike Information Criterion (AIC) imply a high quality of the model through comparison of related models.

### **Final remarks**

The present paper wishes to further the understanding of financial assets price mechanisms, and the impact of economic development measured through the GNI per capita on the market efficiency. We use the methodology proposed by Ladislav Kristoufek and Miloslav Vosvrda (2013) for the index construction, on 28 country indices on a time span of 17 years, divided in 3 periods of observation (Global (January 2000- December 2017, January 2000- December 2008, January 2009- December 2017).

The main findings of the paper suggests that: (1) Both the developed and emerging markets considered have inefficient intervals, suggesting a non-negligible addiction to present and past, and periods in which markets fail to fully incorporate existing information into trading prices; (2) these inefficiencies depend also on the geographical location, with the most efficient markets being part of Europe or the United States, and the least efficient one part of countries from Latin America and Asia; (3) The levels of inefficiency depend also on the period considered: we find that prior to the crisis the level of deviation from efficiency is more reduced, during the financial crisis it expands before eventually returning closer to the reference value following the crisis; (4) there is a clear connection between the economic development of a country measured by the GNI per capita, and the informational efficiency of its market: an increase in the value of GNI per capita determines an increase in market informational efficiency.

The result suggests the existence of a dynamic of financial markets characterized by areas with distinctive levels of "informational efficiency", depending not only on the

impact of different shocks (of an endogenous and/or exogenous nature), as it was the financial crisis, but also on the economic development of the country, development computed in this case regarding the Gross National Income per Capita. Further directions of research include the analysis of the relationship between informational efficiency and other variables such as the quality of institutions, government expenditures, knowledge-based economy indicators etc.

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## THE DIRECTIONS OF THE DURABLE DEVELOPMENT STRATEGY IN A MACROECONOMIC CONTEXT

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**Abstract:** *With the purpose of unifying the current differences between the developed countries and the less developed ones or in the process of development, the monitoring of the sustainable development strategies and their evaluation becomes a defining element. For the evolution of the specific processes implicated in the economic activities in the pylons of sustainable development, the integration of the request's parameters and the future offers in this process is being imposed. The economic entities target the elaboration of the strategies to accomplish the objectives in the long term. Resorting to the strategic management's branch and using the prevision function, by presenting the strategy, the detailing of the mission and the economic entity's objectives do not need to be forgotten. The risen interest for management in this direction is to optimize the information and the internal and external data in a single process that is meant to accomplish objectives. Leaning towards management is due to the fact that in the establishing of the objectives in the long term at least one of the environmental, social or economic factors is being considered, checking a specific pylon of the sustainable development.*

**Keywords:** Sustainable development, strategy, macroeconomic, management, objectives.

**JEL classification:** M40, M41

### 1. Introduction

The complete process of sustainable development is composed of small structures directed towards promoting the strong points and the improvement of the weak points. The period of time proposed in the strategies of sustainable development gets the sustainability of the consumptions and the raw materials, the synchronizing of the economy with the environment and the social, as well as getting rid of the issues of the labor market going by creating an equitable report between the labor market and productivity. Setting up the managerial structure, the political stabilization and attracting more financing sources lead to the accomplishment of balance and its maintaining for a longer term. The programs of regional development that Romania has used are a good start that deserves a continuity in use (The Ministry of Environment, 2008).

### 2. The methodology of research

When it comes to the approached methodology, the paper is based off of a qualitative research, made as a result of the analysis of the theoretical approaches about the macroeconomic context of the sustainable development. The choice of qualitative research is due to the fact that the depth of the analyzed concepts can be developed

through this manner. The method of comparison is present by comparing the European strategy of sustainable development and the Romanian one. The steps taken to accomplish the article are: planning, collecting data, analyzing data and ultimately drafting the article.

### **3. The importance of the strategic management concerning the sustainable development in the macroeconomic context**

In a macroeconomic context, the PIB is the carefully monitored indicator even when it is being watched through the perspective of sustainable development. The current tendency is the continuous promotion of the PIB growth, a growth that represents a high level of efficiency in investments, a grown productivity of the production factors and a careful monitoring of the consumption of the natural resources through the accounting management.

The annual rate of inflation represents a part of the objective of the sustainable economic growth in the context of the management of sustainability. Maintaining the inflation rate at a level between 1% and 5% is a challenge hard to accomplish. It is a known fact that inflation comes down to the economic, social and environmental pylons of sustainable development by damaging them, increasing the risk and the degree of uncertainty. Stopping this effect and the control of the inflation can be done by lowering the costs, as well as the unitary consumption of environmental, social and personnel resources. The growth of the competitiveness and a faster production than a wage growth contributes to these. Referring to the pylons of the sustainable development, mostly the economic pylon, it contributes to the growth of employment, of the productivity degree having the effect of reducing the unemployment.

Reviewing The World Summit on Sustainable Development that took place in Johannesburg in 2002, (The Ministry of Environment, 2014) the strategic activities specific to the premises of sustainable development are established considering the Summit's recommendations. So, the concern of the states that are under the process of development towards thought, elaboration and monitoring their own strategies of sustainable development is being reminded to us. At the moment, the indications issued by the Summit in 2002 are still available, as not defining the strategies of the economically sustainable development to establish actions in the long term is a thing that only a handful of states can abuse. Promoting sustainable development in Romania by supporting the growth of a sustainable economy is the effect attained by making the process of accounting financial management more efficient. By worsening the environmental, social and personnel problems it is easier to find a solution to the technology adaptation and the usage of processes of low risk in the impact of nature. New approaches to the complexity of the sustainable development process and the disparity between the economic-social events and the consequence of their usage led to the phenomenon of sustainable development through the prism of the accounting management. The answer to current challenges of the sustainable development implies a clear establishment of the economic entity's responsibility concerning the environment, the social and the personnel. An improvement to the business model, a review of the risks that the economic entity faces, leads to the consolidation of the activity developed by the entity in the long term. These facts are not a particular situation when it comes to Romania, they are aspects that are universally available when it comes to the countries under development. Romania has more strategies implemented or under implementation that are known at a national or local level. This implication has its roots in the managerial need and with time, it has reflected over the



management strategy that has become a component part of the sustainable development as of now.

#### **4. The scheduling and planification of the sustainable development at a macroeconomic level in Romania**

According to the studies, (The Ministry of Environment, 2008), the strategic plan of Romania for 2020-2030 seems to be the perfect formula for achieving European standards regarding the social, environment and economy. In the context of globalization, Romania needs to resist competition, the circulation of goods and the market, not only for a short while but in the long term as well. As part of the European Union, Romania is aligned at its specific and has in implementation "The National Strategy for Sustainable Development of Romania Horizons 2013-2020-2030" (The Ministry of Environment, 2008). Even though for Romania the program is under implementation achieving most of its established points in strategy, the route to the final strategy implies more work for it to be finalized. Focusing on the proposed changes in Romania for 2020-2030 and on what is being done to accomplish them and finalize the actions proposed in the strategy, the attention is directed towards the conservation of natural resources, the domain of transport, of production and consumption and the domain of climatic changes. The natural resources are managed and appreciated through the objectives of sustainability of the European Union. Romania is just as conscious because it has programs implemented that target the water quality, waste management, reducing the negative factors produced due to global warming, the protection of the natural patrimony and biodiversity. It is reminded to us the Natura 2000 program (Natura 2000 Coalition Romanian Federation, 2018), and last but not least the prevention of natural disasters and decreasing the risk of them happening. In the domain of sustainable transport, the objective of the European Union is to reduce as much as possible the negative effects regarding the environment as well as supporting and satisfying the needs of the economic society. Romania proposes progress in the infrastructure status, placing transports in the requirements of sustainable development and the European one that have to be at a higher level and closer to the European Union average. The consumption and production of Europe follow the principle of sustainability. Romania's situation is of disparity between production and consumption. There is no equitable model to allow support, resorting to import. This is visible in the final price which slows down the access of every individual when buying different products and more than that it is about a chaotic consumption, over the necessary needs. In the domain of climatic changes, the target of the strategic objective is that of it being done under conditions of efficiency and to be able to achieve the existent level in Europe. The strategic objective of Romania regarding the climatic changes and the energy ones is that of it being done under efficient conditions and to achieve the existent level of Europe. Outlining these objectives and the structure of the regional development strategy has high goals that need implications and coordination but, the advantage is in the head start of Romania. Aligning to the European Union's standards is not at all a foreign subject for our country, but the disadvantage is that the standards have evolved in a rather small manner in comparison to the level of other countries.

#### **5. Conclusions**

Initiating plans and implementing projects of sustainable development have as basis the promotion of the environmental, social and economic policies, from the perspective

of the different domains. Reporting to the European context, Romania owns a variety of natural resources with a valuable patrimony which cannot be found in any other European country. On these grounds, our country can represent a source of sustainable development. The structure of human capital is a base component which needs to be analyzed for, only with its help, the economic growth can be done and only because of the human capital the workforce is possible. When it comes to Romania's social capital, one can say it is a diversified one, for the country has numerous forms of organization of the economic entities due to the fact that they could have a lucrative purpose, the structure of the state is not forgotten either way, it promotes communication, transparency as well as a long-lasting partnership and the respect of the values. Debating the assumed objectives, organizing programs and strategies of education and improvement in the domain of sustainable development are key elements that can be carefully analyzed at a macroeconomic level and can activate the movement towards the planification of the management's strategy starting from the entity's own plan. By respecting everything mentioned before, the integration of the aspects that are suitable to the accounting management system completes the process of sustainable development specific to the macroeconomic context. Considering the comparison made in the European context, at the moment, Romania is situated at the level of countries under development and the work that needs to be done to become a developed country is found in the strategy of sustainable development of 2020-2030.

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# MARKETING STRATEGIES IN BANKING BASED ON CONSUMER CONFIDENCE

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**Abstract:** *In this article, I started from a conclusion of a recently quantitative marketing study, omnibus type, made by Center of Urban and Regional Sociology that Romanians do not trust that banks work in their best interest. I have tried to identify the premises that led to the Romanians' lack of trust in the banks and based on these premises I analysed what is going now in the marketing strategies of banking and which strategies have better effects. There is a correlation between the level of trust in banking sector, level of financial literacy in Romania, banks human resources policy and flexibility to the clients' needs. Some of the banks in Romania already have clear marketing strategies in one or two of these directions but the challenges for this service sector are so big that is very difficult to say how banks will succeed to adapt it. Some of them probably will not.*

**Keywords:** consumer confidence; financial education; banking market, innovation

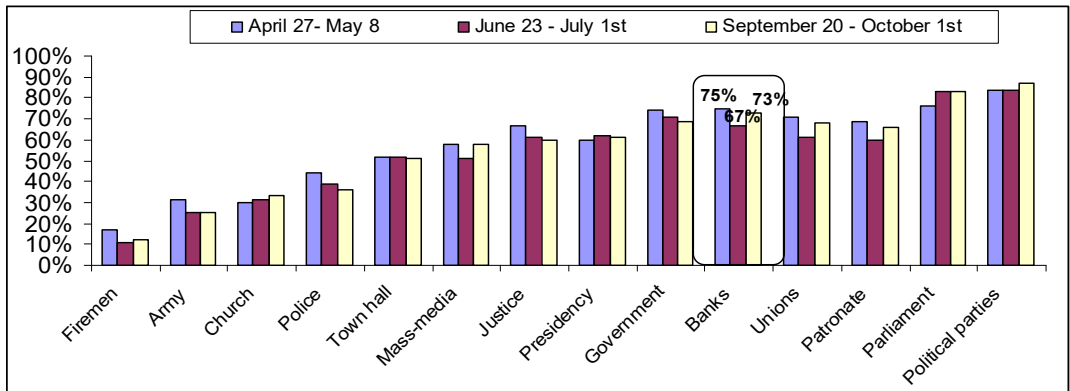
**JEL classification:** A13, A29, D12, G21, O33

## 1. Introduction. Theme motivation

Banks are currently confronted with new challenges that force them to transform. The challenges are coming from new technology, crypto currency, new demanding regulation and new needs of the new generation of clients.

Banks are currently confronted with a lack of consumer confidence that makes the relationship between the client and the bank difficult. The Center for Urban and Regional Sociology conducted an interesting national study this year. This study was made over 1067 adult population, resident in Romania, not institutionalized. Maximum error margin at the entire sample level is 3% and the method of data collection for interviews was face to face, at the respondents' home. Sample type: probabilistic, multistage, layered.

This is a quantitative marketing study, omnibus type, subjects were asked about a wide variety of data with periodicity. The same questions were addressed to the subjects in three different periods. In the figure bellow we can see the data and we can follow the evolution of it. The question of how much trust you have in the following institutions includes fourteen institutions and banks have one of the highest percentages with very little confidence, only political parties, parliament and government have worst results than bank have.



**Figure 1:** How much trust do you have in the following institutions?

Source: authors, based on data provided by the Center for Urban and Regional Sociology

Another study was conducted by the Romanian Institute for Evaluation and Strategy (2016) and at question on how much trust you have in banks, 62% of respondents said they have little or no confidence. So, the general impression that banks don't work in the best interest of their clients has not improved from 2016 till 2018.

Banking consumers are bored with advertisements that promote direct products. Only 21.6% of Romanians in the urban area are interested in advertisements for financial-banking services. In the meantime, the number of those who would prefer to keep their money at home increased between 2007 and 2017 from 25% to about 40% (Forbes.ro, 2017) although the resources are guaranteed by the Bank Deposit Guarantee Fund. This shows how a low level of financial literacy can influence the perception of population. Romania ranks last in the European Union in terms of financial literacy and ranked 124 out of 143 countries (Standard & Poor's Rating Services and Gallup, 2014.). We can establish for the next research hypothesis that there is a direct influence of the Romanians' lack of confidence in banks and the low efficiency of media promotion campaigns.

## 2. Direct and indirect premises of confidence lack in the Romanian banking system

An overview of banking sector evolution and the analysis of the current situation lead to eight premises of decreasing confidence in banks, some of them with an international impact and others are specific to the Romanian market.



**Figure 2:** Premises of decreasing client confidence in banks

Source: The authors' own design

*Direct premises:*

- Bank bankruptcy. The history of bank bankruptcy in Romania in the early 2000s shows that no less than 12 bank failures caused economic losses in the period 1998-2003, because of both: frauds and precarious management (capital.ro).
- Negative experience of clients. Interested in obtaining advantages right away, banks have neglected the long-term impact in customer relationship.(e.g. small-fonts clauses, fixed interest on loans only in the first year followed by variable interest rates set up by the bank only, Swiss francs loans). Negative experiences have a much stronger impact than positive experience (Baumeister, 2001).
- Bank scandals: Inspectors of the National Authority for Consumer Protection (ANPC) sanctioned at least 15 banks only in 2017 for incorrect advertising activities. Another example is information on bank involvement in money laundering, according to the research of Fortytwo Data at least 18 of the 20 biggest banks in Europe have been fined for issues related to money laundering.
- Security breaches: frequent phishing attacks, disruptions of card operation, malfunctioning of some applications (e.g. recent known case is the duplication of ING clients' transactions).

*Indirect Premises:*

- Financial crisis, triggered in 2008, led to a profound change in both consumer and bank behaviour.
- Financial education. The reduced degree of financial literacy of the Romanians. Consumers' expectations are influenced by the context of misinformation and lack of theoretical knowledge about finance. Consumers of bank products, through lack of information, become easy to handle.
- Regulation changes. Frequent changes in regulations have led to the allocation of banks resources in order to comply with legislative requirements and implementation deadlines. This happened in detriment of allocating resources for development and rapid adaptation to customer needs.
- Political Statements. Inappropriate political statements of the government.

### **3. Marketing strategies on the banking market to regain consumer confidence**

The negative image created around banks has led to arguments only in favour of the hypothesis that banks are indifferent to the negative effects suffered by consumers and are not directly interested in customer satisfaction. There is a growing need to rethink the marketing strategy in the banking field, in the sense of regaining customer confidence.

I have identified three major lines of action for long term marketing strategy in the banking field.

The first strategy is to increase the visibility of Corporate Social Responsibility strategy with a more direct involvement of banks in increasing the level of financial literacy. Advertising campaigns that promote aggressive products have proven to be ineffective. Changing strategy by focusing on the visibility of social impact events has a direct effect in catching attention and lead to increasing the credibility in banks.

The second strategy is a strong Human Resources policy, to invest in own staff. Banks are no exception to the problems on the labour market and face difficulties in recruiting. Lately, there has been an increase in the rate of renewal of staff with three effects: a downward trend in brand loyalty; insufficiently trained employees and low professional development. Marketing in services is done through each employee. The way employees interact with existing clients or potential ones influence positively or negatively the client decision to purchase services from one bank or another. Demotivated or insufficiently trained employees will fail to be credible to clients. One of the most frequent reasons for banks bad reputation is the lack of a coherent staffing strategy. According to the Reputation Impact study in America, 4 of the top 5 risks of loss of reputation are due to the way in which large banks treat their own employees.

The third strategy refers to innovation, a promotion and distribution policy geared toward new challenges: the accelerated digitalization process, the diversification of competition and crypto currency market. Banks need to invest massively in innovation, creating digital experiences. Lack of trust comes from the perception that banks are rigid, conservative and hardly adapting.

### **4. The impact of new technologies forces banks to change**

The entry of FinTech companies into the market, as new competitors in the financial field, it is obvious. Companies such as Monzo, Revolut, Monese will take up to 22% of traditional banks market share by 2020 (wall-street.ro). They have the technology, they know how and they have a high degree of flexibility that allows them to quickly adapt to demand. Banks are aware of this threat and have responded to it in different ways: some banks have made partnerships with such firms (Timesafe and Transylvania Bank have collaborated on the online bill payment application), others have developed their own group of specialists (BeeOne created by Erste Group has developed the George digital platform launched this fall in Romania by the Romanian Commercial Bank). Marketing strategies tailored to promotional trends in online can amplify the message quickly and can be more effective than traditional methods. However, it is also necessary to simplify the products and services in such a way that the experience and benefits offered to be as obvious as possible and the costs simple and transparent.

Marketing strategies have also emerged from multichannel to omnichannel strategy, combining online and offline services. Now, the effort is to create a unitary experience for the customer: whether he enters the website, makes a phone call, makes an operation in self-service spaces, and makes transactions online or in a bank office. Ideally is that previous experience should be recognized between different points of

contact so that the customer does not have to repeat the same information several times.

Digital experience does not exclude physical experience in offices, over 60% of clients want to have a human interaction either by phone or in bank office before deciding to purchase a banking service and 44% won't trust a bank without physical representation (Ernst & Young Global Limited study, 2016).

## 5. Conclusion

The three directions of strategy outlined in this article are complementary, all of which have positive effects in re-establishing trust capital by banks.

Financial education, as part of the Corporate Social Responsibility strategy, aims to attract the unbanked population by increasing the degree of bank inclusion and loyalty to customers by offering a free benefit.

Investing in own employees leads to increased service quality by engaging them actively and credibly, reducing negative experiences and increasing referrals.

Providing simple, easy-to-understand technology experiences, tailored to new consumer needs shows that banks can be flexible and responsive to their customers' needs.

My further research will be conducted for developing my own questionnaire to sustain the conclusion.

Some of the banks in Romania already have clear marketing strategies in one or two of these directions but the challenges for this service sector are so big that is very difficult to say how banks will succeed to adapt it. Some of them probably will not.

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# ECONOMIC INEQUALITY WITHIN THE EU, ONE OF THE GREATEST CHALLENGES OF GLOBALIZATION

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**Abstract:** *This article aims to make an "up-to-date" analysis of how the new reconfiguration of the global economic order, where the EU is one of the three main players, most likely based on strong protectionist tendencies, affects the EU's ability to support more intense national economic policies and stricter rules aimed at reducing economic and social disparities. At the same time, the ideas around which we have built this contribution come to certify the already expressed views of economists that the reduction of major economic inequalities is not achieved strictly by economic measures but through a combination of factors such as political and social programs or diplomacy.*

**Keywords:** economic inequality; globalization; geopolitical context; global economic integration; development disparities.

**JEL classification:** D63; F02; F60.

## Introduction

In the context of the reconfiguration of the global economic order, a phenomenon whose manifestation can be seen from at least three major perspectives, under the globalization's dome, comes out one of the greatest challenges of the moment: the problem of the excessive economic inequalities.

In an unstable geopolitical context, with increasingly strong and visible tensions in the international arena, the imminent reform process of the European Union (EU) can not neglect how Member States intend to manage the pressing issue of reducing development disparities.

Globalization advocates claim that the phenomenon produces a rise in all economies, with all consumers benefiting from the fall in prices. Critics of this phenomenon think that it causes social inequalities and serves more to the rich, to the detriment of the poor. It is difficult to measure global inequalities or the contribution of economic globalization to the evolution of social inequality. A study led by the International Monetary Fund (2014), done by economists J. Ostry, A. Berg and C. Tsangarides concluded that recent increases in inequality between countries is due more to the changes in technology than to the global economic integration. The study also suggested that various aspects of global economic integration have contradictory effects on inequality: while trade liberalization tends to reduce inequality, financial globalization, particularly foreign direct investment flows, has the opposite effect. Effects also vary by state. While globally emerging economies such as China or other Central and Eastern European countries have reduced economic disparities, society has become more polarized in industrialized countries.

The subject of the excessive economic inequality is widely treated by the world's big economists, creating, not least, important scientific controversy. In his study on the evolution and structure of global inequality, entitled "Capital in the Twenty-First



Century", Thomas Piketty (2015), scientific director of the School of Higher Studies in Social Sciences and professor at the School of Economics in Paris, starts from the idea that "the history of inequality is shaped by what the economic, social and political actors believe is fair, by the relative power of these actors, as well as by the collective choices resulting from the exercise of this power." Consequently, we also conduct our analysis on inequalities, taking into account, besides economic factors, contextual political issues, historical or social aspects. Unlike his precursors from other centuries, Marx, or Kuznets, who have written scenarios of economic growth and downsizing, Piketty is the one who postulates the fragility of a pattern when discussing growth and inequality.

In support of demonstrating the interdisciplinary character of such an analysis comes the opinion of Bogdan Murgescu (2010), a Romanian specialist in economic history, who "starting from the idea that the correct understanding of our present situation must have a historical depth and a comparative dimension", reconstructs the way in which economic disparities have accumulated in various historical periods since 1500", without ignoring the interdisciplinary approaches and methodologies of economic sociology.

Our analytical study follows three directions of investigation on opinions projected around the issue of economic inequalities. It was designed to reach, firstly, the global context of the issue, in order to further bring to the forefront the specificity of an EU that swings between the internal and global challenges. In a general context, the investigated directions only confirm the views of specialists who argue that they can not isolate the economic problem from the political one when debating on the topic of the economic inequalities.

## **1. Global Overview of Economic Inequality**

Globally, with China's entry on the economic arena as main player, economic power ratios have changed radically. Christine Lagarde highlighted, in a speech held in 2015, as Director of the International Monetary Fund, the situation of China and India that have risen in a rhythm never seen before, being proof that globalization had the power to change the world's economy through international trade and investments. "On one hand, the massive global flows of products, services, people, knowledge, and ideas have been good for global equality of income, but, on the other hand, it has also generated income inequality within countries. Over the past two decades, inequality in income has risen substantially in most advanced economies and major emerging market economies, especially in Asia and Eastern Europe. In advanced economies, for example, the top 1% of the population now account for about 10 % of total income"(Lagarde, 2015).

The situation of China that lifted over 600 million people out of poverty making a remarkable contribution to greater global equality of income but becoming one of the world's most unequal societies explains the idea that extreme inequality is an acceptable price to pay for economic growth.

An explanation of the current large economic disparities in the world can be found in the effects of the 2008 financial crisis that began in the US. It marked the end of a political era, with major economic effects, and the start of another, new. Finally, the costs of the crisis have been endured by citizens through public budgets, as states have intervened through budgets to save bank systems. In this way, another crisis, subsidiary, of public debt, which has comprised many of the states, including the developed ones, has been triggered. Citizens' support for the cost of the crisis has created great discontent and social tensions in countries where the crisis has had

stronger manifestations and consequences: US, Italy, Spain, Portugal, Ireland, the Netherlands, England, France, etc.

Middle class erosion in industrialized countries has adverse effects in social and political life and, combined with the distribution of increasingly unbalanced income and growing insecurity on multiple fronts, leads to radicalization, extremism.

## **2. Economic Inequality Within the EU**

The EU's economic situation needs to be analyzed given that the EU is still expanding if we take into account the recent decision to open discussions on Macedonia and Albania's adherence. In this context, the EU focuses its internal policies on overall development as an important means of reducing spatial disparities.

Regional development at EU level, focused on reducing major economic inequalities, is a process that involves a series of interdependent, legislative and institutional components, establishing new types of relations between different sectors and fields of activity, between authorities and collectives. This process is also related to mentality, traditions and behavior, vocational training and adaptation to new changes taking place at local, regional, national and international level.

Reducing regional and national disparities is an important objective for both the Member State of the European Community and the European Union as a multi-state body. The economic arguments justifying regional policies within the European Union start from the assertions that regional disparities can constitute a major barrier, even a barrier to deepening integration, and that the "common interest" of ensuring social unity involves not accepting major territorial disparities, especially in the field of income and unemployment.

Currently, regional disparities are a problem for the entire community in Europe, especially after removing all barriers to the free movement of goods, services, people and capital, and less-favored regions and groups face new obstacles that require solutions more complex, at national and community level. Such solutions can be provided in particular through the regional development policy, which, through its instruments and mechanisms, offers real opportunities for the balanced development of disadvantaged regions.

## **3. EU Between Internal Challenges and its Global Role**

The EU is the most successful regional governance experiment with the most democratic institutional organization, and yet it is constantly subjected to criticism regarding the lack of democratic legitimacy. The new global economic reorganization, also manifested by the fact that the world economy is shifting 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, determines the EU, as beneficiary of the multilateral system, to react.

In this context here are three main aspects to take into consideration that increase the credibility of Europe in claiming a more important global role.

First, managing internal distribution concerns is a prerequisite for introducing new trade agreements. Europe's social model is a major factor in reducing inequalities and is rightly considered to be effective in reducing negative effects in a time of globalization and technological change. Secondly, the governance of the EU's trade and investment policy has become questionable. It is imperative for the future development of trade agreements' negotiations that the EU institutions eliminate all vulnerabilities and show

more transparency. Thirdly, the EU, as a broad open economy, must solve, regardless of the global environment, the large current account surpluses, mostly the German one, by dealing with the imbalances in the euro area. Strengthening domestic demand in Germany is crucial.

Although future EU reforms may set new trends in the dynamics of the new global economic order, the question remains how those reforms will influence the fight against inequality.

## Conclusion

Global economic integration has varied and profound effects on the economies of developed and emerging countries. Some of these effects have been accepted by governments, others are not, and this is the consequence of a set of contradictions: the establishment of a significant overall well-being but also of a social, sometimes even more significant, inequality; economic growth, but also the degradation of the environment; cheaper products but a fall in revenue in certain sectors; a middle class swollen with a stubborn poverty; a strengthening of the political legitimacy of authoritarian governments that use globalization to achieve rising economic growth rates, along with the undermining of democracy in regions of the world where squeezed revenues are the consequence of losing national sovereignty.

However, even if globalization benefited the vast majority of the population, the effects were uneven and many people did not benefit at all. These things impose a series of challenges for economists, which could become topics for further in-depth research: the education system as a key factor in enabling citizens to adjust the inequality aspects caused by global economic integration and the management of inequalities hampered by a slow reaction of state policies towards the changes in global economy, topic we have partially touched upon in this article.

At EU level, it is still too early to analyze the impact of the current exercise and ongoing programs on development disparities. However, intermediate analyzes show that regional disparities have started to decline again since 2015 but there are still EU citizens living in regions where GDP is lower than before the crisis. In recent years, Europe's poorer regions have grown to the EU average, but there is still a long way to go before these regions can offer the same opportunities to citizens.

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## THE ROLE OF R&D UNITS IN THE DEVELOPMENT OF THE REGIONAL CONTEXT

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**Abstract:** *According to the data of Eurostat and research carried out during the elaboration of the Regional Innovation Report for Romania 2014, there are relatively low inter-regional disparities compared to the other EU countries. The analysis of the situation shows low innovation awareness, very small number of social enterprises, and a weak potential of the academic entrepreneurship, very low expenditures on research and low levels of innovation indicators. In recent years, there have been increasing efforts to create academic spin-offs from university, especially in technical public universities. In the eyes policy makers, universities contribute to economic development and growth, as they are the nucleus for innovation and employment. The objective of this paper is to present the role of R&D units in the development of the regional context through the establishment of innovative firms: spin-offs and start-ups.*

**Keywords:** R&D units; innovative firms; spin-off and start-up

**JEL classification:** O32; O31

### 1. Theoretical background

The innovative entrepreneurship with the universities plays an important role in assuring economic competitiveness and sustainability of a region.

It is known that the entrepreneurship process of opportunity identification and development depends on the prior knowledge of the actors involved (Shane, 2004) and their ability to create the necessary environment for the production and commercialization of their innovative products/services.

The research and development units (R&D units) are defined in this paper as: universities, research institutes and research centers. The technology transfer (TTO) offices are offices in companies, universities and governmental organizations that identify research which has potential commercial interest and also establish the strategies in order to exploit it. Innovative firms are part of a new economy, because they produce the latest technologies and create the new sectors of production. From this categories take part: spin-offs and start-ups firms.

A spin-off is created by the university, the technology is owned by the university and also the funding and the management team belongs to the university. The founders of the spin-offs in general are students, graduates or academic staff. The creation of innovative firms requires entrepreneurial skills. The creation of a new company requires: to develop a business concept, gain necessary resources and take the right decisions. Universities are changing the setting shifting from the role of educational scientific knowledge providers, to a more complex 'entrepreneurial university model', which implies knowledge commercialization and active participation in the development

of research-based spin-offs in the local and regional economy (Rasmussen, 2014). Transforming an academic idea into an innovative product or service requires resources and capabilities that most universities and academic entrepreneurs lack. The lack of entrepreneurial competences is considered to be a barrier in promoting the academic entrepreneurship and dilutes any positive effects of spin-off investments and programs (Bath, 2010; Rasmussen, 2006). In order to increase the economical rate, universities have to prepare the graduates, the future managers, to develop the right competences in order to create spin-offs and start-ups.

A start-up is a new company established in the industrial context by entrepreneurs, which transforms the research result from a R&D units in a comercialized product/service.

In Romania, through program IEC 2007-2013, have been created 19 spin-offs and 101 start-ups. The share of spin-offs in total innovative companies developed through program IEC 2007-2013 is relatively low (15,83%) due to various factors (Munteanu et al., 2018).

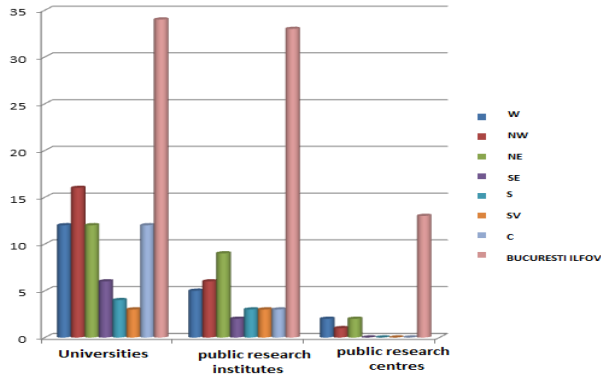
## **2. Research methodology**

The main objective of this study is to establish the influence of the R&D units on the emergence of innovative firms, and the influencing on the academic entrepreneurship. In order to reach the objectiv the following steps were taken:

- gathering and analizing information about the research institutes and universities in Romania according to the Webometrics classification;
- divizing the research institutes and universities on the eight development regions: Region 1 North East; Region 2 South-East; Region 3 South; Region 4 South-East; Region 5 West; Northwest Region 6; Region 7 Center;
- gathering information about the innovative firms (spin-off and start-up) established between 2007-2013 financed from IEC Program;
- establishing a correlation between the R&D organizations (universities, research institutes and centers) and the innovative companies established between 2007-2013.

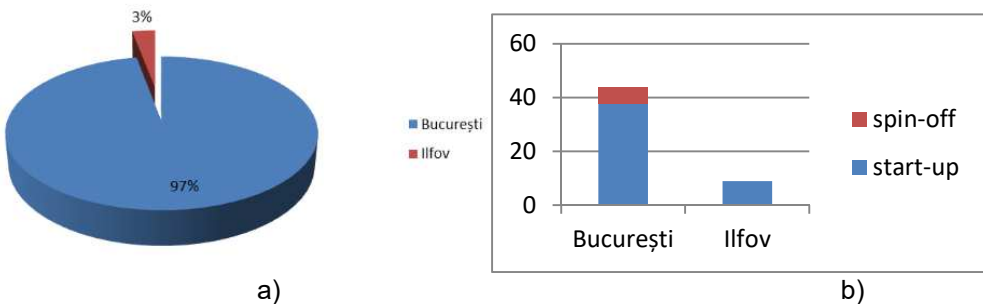
## **3. Research results**

Analyzing the 101 universities in Romania (according to Webometrics), the 97 research institutes (46 institutes subordinated to/coordinating by the Ministry of Research and Innovation and 51 research institutes subordinated to the Romanian Academy), the 18 centers (subordinated to the Romanian Academy), there was made a classification of them on the 8 regions. In this respect, a database was created by analyzing official pages of the universities and research institutes. Figure 1 presents the distribution of universities, research institutes and research centers across the 8 development regions is presented.



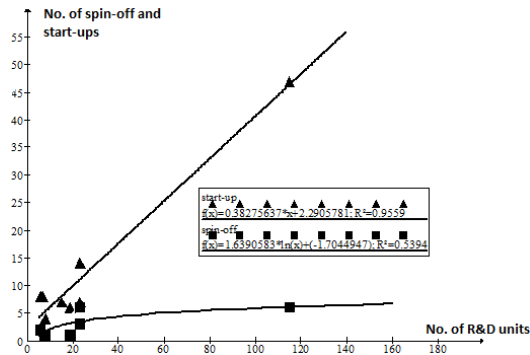
**Figure 1:** The distributon of R&D organizations on the regions  
Source: own

Analyzing the figure 1 it can be noticed that most research organizations are located in the Bucharest-Ilfov Region, compared to the SV region, where they are the least. The region where most universities are located is the Bucharest-Ilfov Region. Region W, C, and NE are in the same position with 12 universities. If we consider all the research organizations in each region, the ranking is the following: Bucharest-Ilfov Region, followed by NW and NE, then W, and the last place is SW Region. For this regions mentioned above, we will furthermore analyze the distribution on counties. Figure 2 present the distribution of the R&D units, spin-offs and start-ups on counties for Bucharest Ilfov Region.



**Figure 2:** Distribution on counties in Bucuresti Ilfov Region:  
a) universities;  
b) Innovative companies  
Source: own

In Bucharest Ilfov Region are 33 research institutes subordinated to the Ministry of Research and Innovation (Bucharest), 33 institutes (Bucharest) and 13 research centers (Bucharest) under the coordination of the Romanian Academy.



**Figure 3:** The correlation between the R&D units and innovative firms  
 Source: own elaboration

The figure 3 shows that there is a correlation between the number of start-ups and spin-offs with the number of R&D units. Therefore, there is a direct link between the number of R & D units in a region and the number of innovative businesses that are set up. There is a direct correlation between number of R&D units from a region and the innovative companies set up in that region.

## 5. Conclusions

The present study highlights that the innovative firms are set up around the important R&D units, especially universities. The study also reveals that the innovative firms (spin-offs and start-ups) are very low developed in Romania.

Nowadays, in Romania the legislation obliges public universities to integrate in their structure new entrepreneurial students organizations, where they can acquire competences and knowledge.

Principally, is necessary to improve the collaboration of R&D units with innovative firms with the implications of the local government by creating a unique, innovative network. In order to increase the economical rate, universities have to prepare the graduates, the future managers, to develop the right competences in order to create spin-offs and start-ups.

Secondly, the universities need to access funds and grants with the purpose of developing intercultural, employability skills for students, entrepreneurial competences (mainly regarding spin-offs and start-ups), developing a new curricula and integrated in the university educational plan.

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# THE ROLE OF ENTREPRENEURSHIP AND BEHAVIORAL ECONOMICS IN ECONOMIC DEVELOPMENT

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**Abstract:** *In last decades, the economy has been crossed by a series of negative events. This has led to an interest in acquiring knowledge about this field. It is important to understand the principles that the economy in which we are headed to be able to understand how it influences our lives in all its fields. We could even say that at present, what unites us globally is the economy, not the politics or the governments. The motivation of research has started from the understanding that we are part of an economic system and that our role is to develop and support it. The more we know about this role, the better we prepare for our career or lifestyle through a balanced balance of finances and assets. As a research method, we used triangulation (Campbell and Fiske, 1959) to overlay data from three resource categories: specialized literature, official documents and communiques, and data from globally recognized research tools, as the degree of convergence of the data obtained is an indicator of validity results. The methodology is very useful because overlapping information from the three categories will highlight what they have in common, what is missing from one and what has an extra category compared to the other two.*

**Keywords:** entrepreneurship; economic development; innovation; globalization

**JEL classification:** A10; B10; L26; O31

**1. Introduction:** Beginnings of the economics is known since the first meeting between human beings. A man who had a spear met a man who had meat. The man with the spear could not hunt, and the man who had the food had nothing to hunt. The two exchanged and humanity gained. The Big Bang of today's economy took place. Life began to simplify, needs began to diversify, people began to specialize in different areas to solve them. This development led to the emergence of economic models which, from the outset, had the role of stabilizing and shaping commercial activities. People's reluctance for economics starts from the coverage of the academic side of it, and not all people are rational with an economic mindset. In addressing this problem, the british economist Lionel Robbins (1932) defined economics as "the science which is studying human behavior as a relationship between purpose and means with alternative uses". This comprehensive definition remains the most popular until today. Many economic theories had mathematically and even physically base in order to determine laws that describe how economics behaves. But economics is man's creation and is dependent on the rational or irrational behavior of those who act inside, so economics as a science has more in common with refined sciences, such as psychology, sociology and politics. However, the most important difference between the economy and other sciences is that the systems under consideration are flexible. In addition to describing, explaining economies and how it work, economists can suggest how it should be developed or improved.

## **2. Entrepreneurship and economy development concepts**

Entrepreneurship changes the direction of a country's economy. The well-being of a society depends on the level of entrepreneurship within it. Lack of natural resources or capital does not directly lead to the stagnation or even regression of welfare, the main factor being the lack of an entrepreneurial environment to stimulate involvement and initiatives in development. Entrepreneurship is essentially concerned with creating wealth through the production of goods and services. This leads to an ascending change process whereby a country's real per capita income rises above average, or in other words, economic development takes place. Entrepreneurial development is the key to economic development.

The nature of a developing economy is quite different from that of a developed economy. For example, the emerging economy may be an agricultural country that is heading for industrialization, or it may be one in which industry could be in its infancy without advanced technology.

Modern age is an era of change and the whole world becomes a village because of the industrial revolution and fast communication technology, the globalization of industry and trade brings a vast change in different aspects of life. A developing country needs entrepreneurs able to perceive new opportunities and willing to bear the necessary risk in their exploitation. It is an extremely dynamic process, characterized by the pattern of demand changes, new products are needed which trigger the emergence of new methods for producing goods within a country.

An emerging economy has to be removed from the vicious circle of low income and poverty and the government's involvement in supporting entrepreneurship has a major impact on transforming the developing economy into a developed economy.

A tool for assessing entrepreneurial activity is the Global Entrepreneurship Monitor (GEM), as the GEM reports are one of the most important sources of statistical analysis of the links between entrepreneurial activity and economic growth.

Economists have different views on the driving force of entrepreneurs or the central characteristics of entrepreneurship. The analysis of entrepreneurial theories and the identification of common characteristics reveals the fact that there is an entrepreneurial unit and the differences proposed by the theoreticians do not directly or relevant influence on the development of entrepreneurship, which is a central factor of the economic activity.

Entrepreneurship affects economic growth in many ways. Through entrepreneurship, important innovations enter the market, innovations that lead to new products or production processes that ultimately increase efficiency by increasing competition on the market. Ideas and concepts that arise from entrepreneurs, increase our knowledge and what consumers prefer by introducing new product and service variants alongside those already on the market. This accelerates the innovation of new products as a result of many hours of work and the practical transposition of the creative nature of the entrepreneurs.

The entrepreneurial capacity of an economy is the determinant element of economic growth and productivity improvement. Consequently, knowing the determinants of entrepreneurship is the first step in establishing and implementing entrepreneurial policies and further calculating their social and economic impact.

Entrepreneurship is not only a way of creating jobs, increasing competitiveness and developing the economy, as well as contributing to personal fulfillment and social objectives.

The identification and characterization of entrepreneurs from the phase of recognizing opportunities in the phase of holding and managing a set business, is one of the distinctive features of GEM. While entrepreneurship is a multifaceted phenomenon with

many different meanings and definitions, GEM defines entrepreneurship as: "Any attempt to create a new business or create a new business such as self-employment, a new business organization or the expansion of an existing business by an individual, a team of people, or an established business" (Poh Kam Wong, 2005). Thus, while GEM can see entrepreneurship quite limited as a business activity, it needs a broad picture of what new business recognizes. For example, unlike many official records of new business, the GEM definition is not limited to newly registered businesses.

A leading objective for developing countries is growth and economic development. However, the two terms are not identical and are frequently used to define the same economic situation. Growth is needed in any economy, but not enough for development.

Until now, GDP has been used almost exclusively as a primary measure of economic development. Comparing between countries and over time, GDP growth per capita was commonly used to describe welfare changes. Recognizing the inadequacy of this welfare measure, the United Nations has started to develop and collect other quantitative macro-health, education, employment and housing measures alongside real income data. There have been several explicit attempts to capture the level of human well-being, most recently the UN Human Development Index (IDU).

Development indicators suggest strong regional differences, and measuring economic development is a difficult process. Existing nationally development assessments, continue to suffer from conceptual and measurement challenges. These issues have led to a literature that generally over-concentrates on economic development without connecting to the capacities of these institutions to accelerate the economic development of citizens. The overall growth rate is the measure of economic development. Growth rates are measured on PPPs, IDUs and independent inequality measures based on policy makers' preferences.

When it comes to situations involving government involvement in development, there is a gap between the desired goals of most people and the level of expertise regarding how these goals can be achieved. Even when people want peace among nations, there are many misunderstandings about terms of negotiation, when to sign treaties or when to fight. Or when international organizations work for a cleaner environment, the information that comes to us about the dangers we expose is not enough to understand the health risks of pollutants in water or the air, or what options are offered by the technology industry to combat them and reduce pollution.

When it comes to economics, the situation is almost the same. Even if people support the goals of a well-paid job and a higher standard of living, they do not have the knowledge to understand how the economy works, in order to possess well-developed views on contemporary economic issues.

We are increasingly inclined not to trust experts in different fields. Sometimes, but not always, it is a good thing because experts do not always know what is best. It may be their human side that is inclined to support personal opinions, sometimes disagreeing with the logical course of things. They can focus on a particular detail of the problem and not give importance to the overall picture. They may have their own political prejudices, misinterpret the data, or promote the wrong theories.

However, experts, when speaking in their field of expertise, have at least two substantial advantages. One is a vast knowledge based on facts, particularly on what has happened in the past. The second advantage is the lengthy time spent studying and focusing on the various links and interconnections that can happen with a lower or higher probability and developing an organized framework to take into account the consequences of all the actions taken.

However, economists, like other experts, do not own the monopoly of absolute truth. Better said, the whole universe of the economy is more useful in classifying and thinking through benefits and compromises than by supporting definitive answers. But when it comes to contemporary economic issues, economists have useful prospects to offer. One of the reasons why we are studying economists who open the path before us and how they saw things, is not to agree with them and to embrace their theories. While deepening the study of the economy, we will realize that none of the opinions provide conclusive conclusions. We will realize that we can take inspiration from their perspectives as experts and form our own judgments, models or theories.

### **3. Role of behavioral economics in development**

Behavioral economics applies scientific research on cognitive, emotional and social prejudices to better understand economic decisions and how they affect market prices, returns, resource allocation, and economic development. Behavioral patterns usually integrate perspectives from psychology with neo-classical economic theory. The standard perception of the economy is that all consumers act completely rationally and try to maximize their usefulness, but this perception of the economy does not explain why things such as the capital market do not work with a high level of efficiency; in fact, the standard economic model would suggest that the stock market would be far more efficient than it is today. The field of behavioral economy has been created to fill in the loopholes and inconsistencies left by standard economic theory. Behavioral economy is a theory that suggests that consumer decisions are prone to irrelevant influences, with consumer decisions being relatively irrational.

The behavioral economy is full of many sub-theories and ideas that try to explain the individual behaviors exposed by consumers when making decisions; sub-theories that were able to explain illogical behaviors and phenomena exposed by consumers.

This domain, which threatens to change many standard economic notions, existed in the concept of the birth of the economy, but initially it was ignored by its base in psychology, which at that time was much less scientific. The field of behavioral economics and the fusion of psychology and economics allows economic analysts to understand the decisions of the average consumer and the abstract economic phenomena previously, thus explaining the influences in economic growth and development.

These theories and principles aim to broaden human knowledge, the economic field of behavior with implications in macroeconomics, many concepts having a basis of behavior that could be elucidated by research in psychology.

Behaviors described in macroeconomics can be understood using behavioral principles and theories. A publicized version of a theory of macroeconomics, namely the theory of labor economics, suggests that unemployment is the result of wage payments above the level that would balance supply (jobs) and demand (job seekers) thus causing a surplus of workers without sufficient jobs. A similar branch of theory, behavioral finance, explores the idea that investors have limited rationality and are quite similar to the concept of behavioral economics. An important phenomenon in behavioral financing is the observation that average return on equity is much higher than bond yields.

To take this observation into account, people dealing with stocks would be at a higher risk than would have been predicted by the standard utility model, which means there is a problem with current theories of market functioning. Although the cause of this phenomenon has not yet been fully understood, the behavioral economy is trying to understand the reasons for this.

The so-called "Groucho Marx" theorem states that people would not want to exchange with other people who would like to trade with them, but the volume of capital market transactions is amazing. For example, the annual turnover rate of New York Stock Exchange shares is more than 75%, and the daily volume of foreign exchange transactions in all currencies equals about a quarter of total world trade and investment flows.

This is another phenomenon that behavioral finances are trying to understand, which is what drives the exorbitant and irrational volume of volume on the stock market. Behavioral finances are trying to cope with market notions and the influence of behavioral economics on growth and economic development.

Behavioral economy is an important segment, and with it we can change the way the economy is perceived at all levels.

#### **4. Conclusion**

The importance of entrepreneurship for achieving economic development in contemporary economies is widely recognized by both policymakers and economists. In the current European political approach, it is deeply embedded that entrepreneurs independence and creativity contributes to higher levels of economic activity and the prospects for change and development lies in the entrepreneurial capacity to anticipate transformations based on the desire to create stability. The need for balance is growing and in order to ensure a sustainable economic future, we need to redress the European economy and maintain it in a favorable position. Internal and external crises put pressure on the political and social spheres, the most affected being the ever-changing economy and economists are still looking for solutions to support a sustainable development of the global economy. Identifying the means of support is the responsibility of each state and global programs to support entrepreneurship, offers the opportunity to discover new methods and development models.

Economics is the psychology of numbers, and its understanding from the center to the periphery will lead to economic growth and sustainable development. Only when we realize that it humanity makes it understood, we will be aware of the role we have in the economy we are part of. By removing humanity, we will get long strings of numbers, hard-to-understand charts, and foreign terms of our knowledge. Economic development is the result of humanity's involvement in the economy, with entrepreneurship being the trigger factor.

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# A SCHUMPETERIAN VIEW ON ECONOMIC DEVELOPMENT THROUGH INFORMATION TECHNOLOGIES

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**Abstract:** *The main purpose of this article is to identify some aspects of the information technologies impact on development that can be explained by the schumpeterian understanding of the economic development process. The starting hypotheses of the paper are: the information technologies describe the perfect expression of schumpeterian innovation concept and the digitalisation phenomenon intensify the entrepreneurial function, respectively. Methodologically, this research paper is based on identifying and emphasizing different concepts following the schumpeterian view on economic development and also different points of view concerning the impact of digitalization on today's economy. Through deductive analysis, it will identify the link between the schumpeterian view on economic development and the transformation produced by the wide and comprehensive use of information technologies.*

**Keywords:** development; entrepreneurship; innovation; technology; digitalisation

**JEL classification:** O10; O31; D80

## 1. Introduction

As no one can undermine the importance of the Industrial Revolution's breakthroughs, there will be a nonsense not noticing the fact that information technologies are more and more present in the day to day economic reality. Intensive and comprehensive usage of information technologies, from organizing the production function or market widening, to producing and harnessing knowledge and ideas, can have an tremendous impact on the way economics explain the entrepreneurial function, as described by the schumpeterian view – the determinant factor of economic development.

Considering the complexity of the digitalisation's impact on almost every aspect of today's economy, identifying and explaining the connection between information technologies and economic development, through the lenses of the schumpeterian economic development concepts, it is once again a useful path to take.

Moreover, many industries are nowadays facing the impact of new technology usage, enhancing and creating new ways of satisfying consumer needs. The entrepreneurs are those who identify these needs and act accordingly. Their success depends on their nimbleness, creativeness and readiness.

The wide access to digital research, development, marketing, sales and distributions platforms, can more rapidly overthrow out of the game the biggest business actors, thus creating more and more entrepreneurial opportunities, enhancing the quality and speed of the decision taking mechanism concerning the profitability and the efficiency of the production process.

## 2. Literature Review

### 2.1. The Schumpeterian View on Economic Development

The distinctive future of the schumpeterian contribution to economics is the particular understanding of two concepts: entrepreneurship and innovation. Economic development is driven by innovation resulted from entrepreneurial decision. The knowledge required for decision making are somehow positioned outside the balanced, sure, and known universe, being clouded by uncertainty and changeability. In the presence of uncertainty, the risk taking interest on venturesome entrepreneurial actions are considerable diminished. The very existence of the entrepreneur cannot be granted by anything. It all depends on his talent and motivation.

The entrepreneurial function is defined by the emphasis on the importance of innovation – creating “new combinations” (Schumpeter, 1983). The determinant factor of economic development is the scattered appearance of revolutionary innovations. The phenomenon interrupts, disequilibrates and moves the economy out of the “circular flow”, a stationary state of general walrasian equilibrium. The innovation process is mostly an exogenous one. The entrepreneurs are those who possess the ability to transform the invention to innovation. On the short term they are highly rewarded. In time, through the imitating competitive actions, their advantage disappears. The disequilibrating effect of innovation mitigates over time and the economic forces are once again in balance, awaiting for another wave of innovations. The result is a dynamic business cycle model of economic development. Economic development is an endogenous phenomenon, not just a simple adaptation to external factors. It is an erratic phenomenon that creates a qualitative change, new economic equilibrium conditions completely different from the old ones (Schumpeter, 1983).

The innovation concept is defined by the commercial usage of novelty: new product, technological process, production method; new market or source of demand; new form of internal organization or business model.

The great advances, discoveries and breakthroughs of the Industrial Revolution, those who were in Schumpeter’s mind when he developed his theory, took place in the industrial economic sectors as results of entrepreneurial actions. The schumpeterian process of “creative destruction” constantly revolutionizes the economy from within, constantly destroying the old one, constantly creating a new one (Schumpeter, 2003).

Following the schumpeterian view, Langlois (2005) emphasizes the importance of the changing process. The entrepreneurial concept is mostly defined by revolutionary change.

Baumol (2009) also highlights the key role of the entrepreneurial function in the development process.

In addition to the initial schumpeterian theory, Baumol makes a clear distinction between the concepts of innovating, mimetic and replicative entrepreneurs, stressing the importance of the innovating entrepreneurs.

Kornai (2010) emphasizes the complexity of the technical progress process based on discovery. As for the special role of the innovating entrepreneur, Kornai admits the existence of a particular function from which the economic agents gather the tools and financial resources required to innovate. The first step is made by the innovating schumpeterian entrepreneur. The process is completed by another type of entrepreneurs – those how disseminate and diffuse the initial innovation.

In addition to the schumpeterian view on “creative destruction”, Bhidé (2004) argues that in today’s economic reality much of the innovations have not managed to replace products, services or old production processes, but, instead, they succeeded in

satisfying new needs. The “non-destructive creation” is a concept as critical to the economic development process as the traditional schumpeterian view.

The entrepreneurial motivation in creating and satisfying new consumer needs becomes the driving force of the economy. Thus, the concept of “venturesome consumption” is used to emphasize the crucial role of the consumer and his needs into the innovation process (Bhidé, 2008).

## **2.2. Digitalisation and Economic Development**

Digitalization, seen as a series of transformations generated by the wide adoption of the digital technologies that creates, process and transmit information, represent one phenomenon managed and produced by technical progress and innovational diffuse (Katz, 2017).

The “digital economy” term refers to the recent transformation of all economic sectors. If at the present moment the real effect of this transformation is not entirely known, the role and impact of information technologies on economic development are continuing rising (Brynjolfsson and Kahin, 2000).

The subject is gaining more and more attention from specialists and researchers. Some of them consider that the digital technologies are the determinant factor of relieving constraints on generating economies of scale, thus facilitating a more rapidly growth of traditional economic sectors (Katz, 2017). Atkinson et al. (2009) point out the fact that the growing productivity is to be achieved by information technology usage, generating a more efficient production process.

Referring to the impact on economic growth resulted from investment in information technology industry, Jorgenson, Ho and Stiroh (in Jorgenson, 2011: 281) argue that the resuming economic growth after 1995 was mainly due to the information’s technology domain. The same research paper stresses out the fact that the adoption of new technological innovation had largely contributed to the growth of some economic sectors, while others benefited from replicative, mimetic usage of well-established, old information technologies.

Another key element in understanding the digital economy refers to the market widening effect of information technologies. Besides creating, faster and faster, the opportunity of identifying and satisfying the needs to an increasing number of consumers, digitalisation facilitate the emergence of the entrepreneurial talent, clairvoyance and judgmental decision making.

A highly competitive environment, a more easy access to credit, cost reduction, fabulous rewards, are some of the attributes of the new digital economy (Brynjolfsson and McAfee, 2011).

## **4. Conclusion**

In the schumpeterian view, the economic reality is shaped by unleashing the entrepreneurial energies that emerge form innovation and technical progress. In our opinion, the economic transformation produced by digitalisation must be seen as results of the innovation process based on information technologies. These technologies are constantly and irreversibly reshaping the present-day economy.

The impact of digitalisation phenomenon extends to almost every field of economic activity. It is our belief that information technologies gather all the features of the general purpose technologies, a concept that can be easily explained through its main characteristics: virtually all purpose usage, continuous improvement capability, the ability to create new innovational opportunity, productivity enhancement capacity. Last



but not least, the fundamental attribute refers to the revolutionary accelerating impact on economic development process.

Even if informational technologies are not the perfect expression of schumpeterian innovation concept, they are constantly enhancing and enlarging innovation opportunities. Seen as simple tools, they possess the ability to extend, multiply and intensify the effects of entrepreneurial function.

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# EMPIRICAL STUDY ON THE SITUATION OF EUROPEAN FUNDS IN THE TIMIȘ COUNTY OF ROMANIA

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**Abstract:** *The analysis of the absorption of European funds should be seen as means of progress and transformations that have been recorded by Romania over the past 11 years, from time of accession to the European Union to present. Numerous studies (Government of Romania, 2013, Surubaru, 2017) have demonstrated Romania's level of absorption of European funds and the degree of satisfaction of applicants at national or regional level. Recognizing that the degree of absorption of European funds by Romania is low, we try to identify the factors that have a negative influence on accessing the funds, to find out the causes that cause malfunctions in the access process. The research aimed at identifying the perception of beneficiaries of European funded projects with reference to the efficiency of their implementation in Timis County. The approach that I followed after interpreting the results of the questionnaire is to find solutions to some of the deficiencies that appear, deficiencies that lead to diminishing the problem of the low absorption of European funds in Romania.*

**Keywords:** absorption rate, European funds, operational programs

**JEL classification:** F15, F36, R11

## 1. Introduction

The overall objective of this paper, in the context of operational programs, comes from the need of identifying relevant elements that are linked to the implementation of European funded projects. The purpose of the study is to identify opportunities in order to improve the management of this projects. Identifying existing problems then involves providing solutions with real impact on organizations or institutions accessing European funding.

The competitive nature of the general economic context makes the competitiveness of a country require an endeavor made not only in the private sector but also in the public sector (Sala, D., Maticiuc, M.D., Munteanu, V., 2016).

Experience has shown that much of these funds cannot be absorbed efficiently and productively by former centralized economies in transition, such as Romania, due to a whole series of structural, institutional and administrative problems (Kalman, J, 2002). It is, however, obvious how the institutional capacity of public administration authorities is vital for the successful implementation and absorption of cohesion funds and resources. In addition, public institutions may also be beneficiaries of projects funded by the Structural and Cohesion Funds, the quality of public administration strongly influencing the absorption rate (Băleanu, A., 2007).

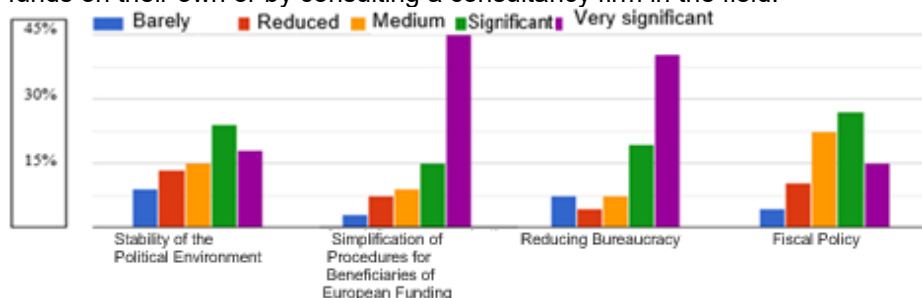
## 2. Methodology

This study was conducted between September 2016 and September 2017. The data was collected from the beneficiaries using a questionnaire. The questionnaire is composed of both quantitative questions and open questions involving qualitative processing. Respondents are both representatives of public and private organizations that have implemented projects funded by the European Union.

Since the precision of the research is closely related to the size of the sample, for determining the population surveyed and the volume of the sample, it was decided that the number of subjects to be interviewed should be the same as that of public institutions of local interest (mayoralities) and one closest to the total number of economic agents in the county that submitted at least one application for funding by September 2016, when we decided to start the questioning. In the case of the mayoralities, it was about 99 units, and in the case of the economic agents, the information from ADR VEST reported that until the start of the questionnaire, a number of 373 projects were approved, which presupposed to apply the questionnaire to them. Through the questionnaire we wanted to identify the way that the access to European funds by the Romanian business environment is perceived. For this we have developed questions to find out whether the representatives of the public or private environment surveyed have taken steps to access European funds and, of course, if they have recourse to them, if they have obtained the funding. Considering the context in which business representatives surveyed have not recourse to EU funding so far, we wanted to find out whether they have the intention of accessing in the future, or if they have accessed funds, if they would repeat the experience. In the context of obtaining funding, we wanted to find out from the people questioned and if they encountered problems in accessing the funds, and if this event happened to find out what respondents would want to change for easier access. Through the questionnaire, we want to identify whether a company's prior specialization is needed before accessing the funds and whether they are ready for access.

## 3. Research results

After collecting and processing the data we proceeded to interpret the obtained results, following the influence of the various factors on the absorption rate of the European funds. All the respondents said they had implemented projects funded by European funds on their own or by consulting a consultancy firm in the field.

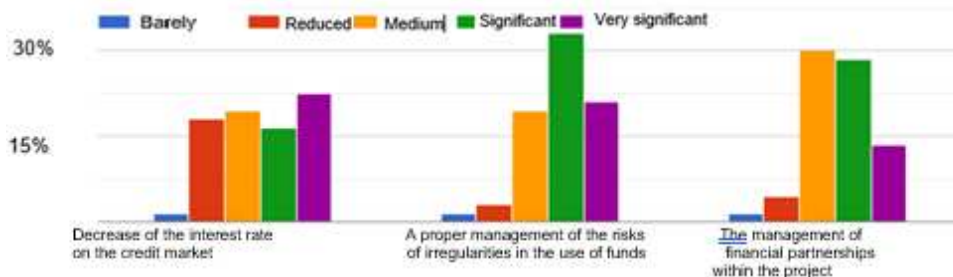


**Chart 1.:** The extent to which the political factors influence in a positive manner the absorption rate of the Structural Funds in Romania

Source: author

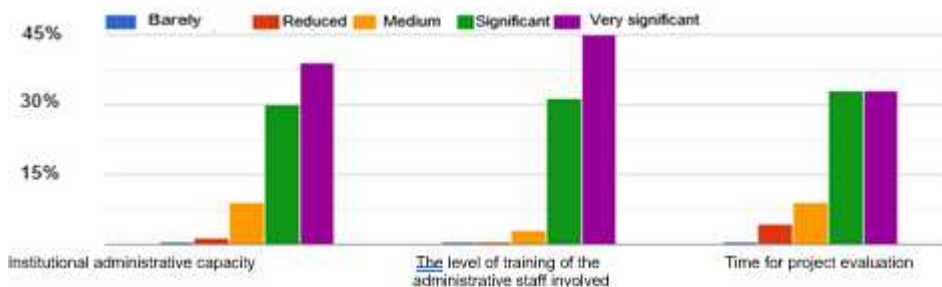
Of the four factors mentioned: Stability of the Political Environment, Simplification of Procedures for Beneficiaries of European Funding, Reducing Bureaucracy and Fiscal

Policy, respondents considered that the second and third options are the highest influence on the rate of absorption of structural funds  
 We have further analyzed other factors influencing the absorption rate, thus stopping on the financial ones.



**Chart 2.:** The extent to which the financial factors influence in a positive manner the absorption rate of the Structural Funds in Romania  
 Source: author

In this case, one can see how the respondents considered the correct management of the risk of irregularities and how to manage the financial partnerships as those with the highest impact on the absorption rate.



**Chart 3.:** The extent to which the human capital involved in the absorption process influences in a positive manner the absorption rate of the Structural Funds in Romania  
 Source: author

Finally, we also present the situation regarding the data connected to the human resource involvement in accessing the funds and implicitly the manner in which the persons involved in the absorption process can bring advantages or disadvantages to the system. We can see how the respondents allocate a great responsibility to the human capital involved in accessing the European funds, the institutional administrative capacity and the level of training of the administrative staff being considered by the vast majority of the respondents with a large and very large influence on the absorption rate of the European funds in our country.

Respondents with a favorable attitude predominate, more than 90% of them saying they are interested in the submission and contracting of grant applications, and in the period 2014-2020 as shown in the following graph.

Those who gave negative responses motivated the most significant issues that occurred in project implementation and aimed at funding, namely, there were large delays for reimbursements and the approval of additional acts. Also, although 7.5% of the respondents said that the funding obtained did not have the desired success, the other respondents were satisfied with its positive effects, justifying the answer by

succeeding in bringing in the company / institution a greater number of employees, to equip existing spaces with the necessary equipment and thus to become more technically and economically efficient.

#### **4. Conclusion**

Taking into account that all companies / institutions included in the study had experience in running European funding projects, they suggested measures to be taken into account to increase the number of applicants, namely: greater transparency throughout the process of granting funds, the removal of excessive bureaucracy, the promotion of existing financing options, the professional development of administrative staff, clarification of regulations on project implementation and avoiding too frequent changes in procedures and reducing response times so that funding is received within the deadlines set. Although many problems have been reported in our country, the European Commission has decided to allocate an additional year to attract EU funds for the previous budgetary framework so that there is no risk of losing the allocated funds. For the period 2014-2020, Romania received higher funding than the previous period. What caused significant difficulties in creating the 2014-2020 budget framework for Romania was the misunderstanding of the transposition of the European Procurement Directives within the set deadline. As if this was not enough, the new Partnership Agreement was not filed at the time set by the European Commission. These dams are still causing disadvantages to Romania, which will continue to hurt the barriers imposed by the unnecessary complexity of funding guidelines, the lack of clear legal rules and inefficient public procurement policies from the early stages of the period.

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# STATISTICAL STUDY OF THE ROMANIAN FISCAL PRESSURE IN THE PERIOD 2006-2017

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**Abstract:** *The aim of this paper is to study and analyse the evolution of the Romanian fiscal pressure between 2006 and 2017, from a statistical point of view, and the main purpose is to highlight the main evolutions through this indicator has passed. The study is based on a comparative analysis of taxation at the level of direct taxes, indirect taxes and social contributions. This study seeks to highlight the impact of the Romanian fiscal pressure on the economy, on the gross domestic product in particular. The research methodology used is the collection of data, from the main official sources, such as the National Institute of Statistics and the Ministry of Finance, as well as the interpretation of the obtained results and we also study the specialized literature.*

**Keywords:** fiscal pressure; tax revenues; direct taxes; indirect taxes; gross domestic product; evolution.

**JEL classification:** H20; H71

## 1. Introduction

The fact that the state cannot exist without taxes is a well-known and self-evident thing. Thus, at the beginning of the article it will be made a short presentation of the literature. The case study will be concretized by studying the evolution of the gross domestic product, as well as the fiscal pressure related to the direct taxes and indirect taxes, as well as the fiscal pressure related to the social contributions, during 2006-2017.

This study is a first step in discovering the influence of taxes in Romania's economy, in stimulating or inhibiting citizens' interest in carrying out economic activities or carrying out commercial relations with foreign states, in consuming goods and services, etc. Thus, the actuality of the studied topic is conditioned by the importance of taxes on the development or even the economic growth. The research methods used are the deduction, synthesis and analysis of the evolutionary trend.

## 2. Literature review

The relationship between the tax system and the economy has been extensively studied both by autochthonous and foreign authors. Thus, from the point of view of the research stage in the literature, the most representative studies will be presented below.

For example, Afonso and Blanco-Arana (2018) concluded that if it is desired an economic growth, sustained and stimulated by countries' financial development, must be implemented anti-inflationary measures along with effective labour market policies,

to reduce the high unemployment rate, which on the long run can lead to high economic growth.

Abuselidze (2012) recognizes that fiscal pressure influences not only budget revenues but also investment, demand, supply and prices. All of these have a direct and indirect influence on economic activity and production capacity.

Brașoveanu-Obreja (2007) argues that the impact of taxes on economic growth is contradictory, which may be the consequence of the fact that different fiscal policy instruments can lead to opposite effects on economic growth: on the one hand, a greater involvement of the public sector in the economy tends to promote growth, but on the other hand, high taxation affects economic growth.

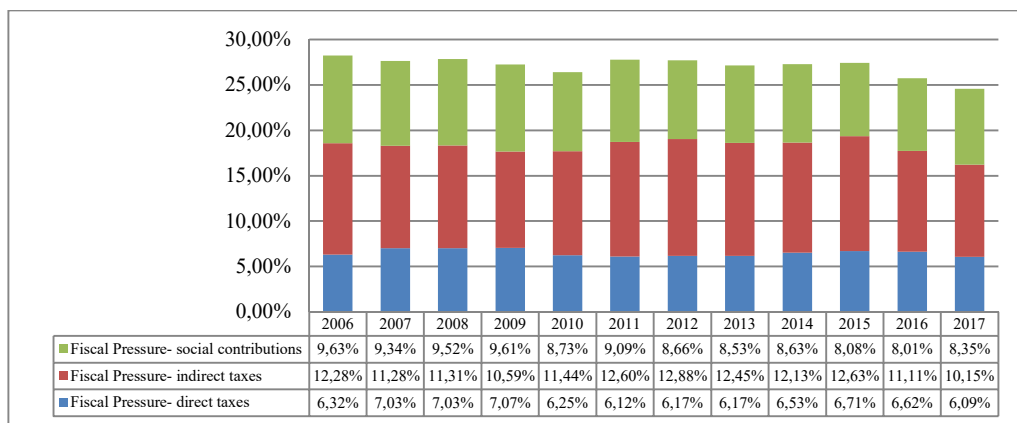
Castro, Ramirez Camarillo (2014), Stoilova (2017), Mahdavi (2008) and Ungureanu (2017) are among the authors who studied the fiscal pressure on the tax and fees system and made comparisons in several developed and developing countries in Europe. They also attempted to show the connection between the fiscal pressure and the changes in the economic indicators.

### **3. Evolution of the Romanian fiscal pressure during 2006-2017**

By studying the trend of gross domestic product (GDP), the main indicator characterizing the evolution of the national economy, from own processing, based on data available from the National Institute of Statistics and Ministry of Finance, it can be noticed that during the first part of the analysed period, it recorded a significant increase in 2007 and 2008, compared to 2006, which can be explained by the accession of Romania to the European Union. The sharp decline of 3.24 percentage points in 2009 compared to 2008 is mainly due the emergence of the economic-financial crisis, which has also impacted Romania.

However, following the study of the evolution of this indicator in the period after 2009, GDP has been steadily rising, with a significant year-on-year increase. Calculating the evolution based on the data available in the INSSE statistical bulletins, these increases were 5.16% in 2010, 6.43% in 2011, 7.06% in 2012, 6.85% in 2013, 4.70% in 2014, 6.75% in 2015 and 7.36% in 2016, as compared to the previous year, reaching a maximum of 858.660 million lei in 2017.

Based on the research of Romania's tax pressure during 2006-2017, calculated by the ratio between the tax revenues and the gross domestic product, it can be observed that this indicator has an oscillating trend from year to year. The decrease of the fiscal pressure at the time of Romania's accession to the European Union in 2007, had as objective the alignment with the European tax regulations. Over the analysed period, the highest value was in 2006 -28.26%, while the lowest values, namely 25.84% and 24.68%, have been in the last 2 years of analysis, at 5 years difference from the last attained minimum, namely 26.5% in 2009.



**Figure 1:** Evolution of fiscal pressure on indirect, direct taxes and social contributions  
Source: own processing based on data provided by the Ministry of Finance  
(Consolidated General Budget for the years 2006-2017)

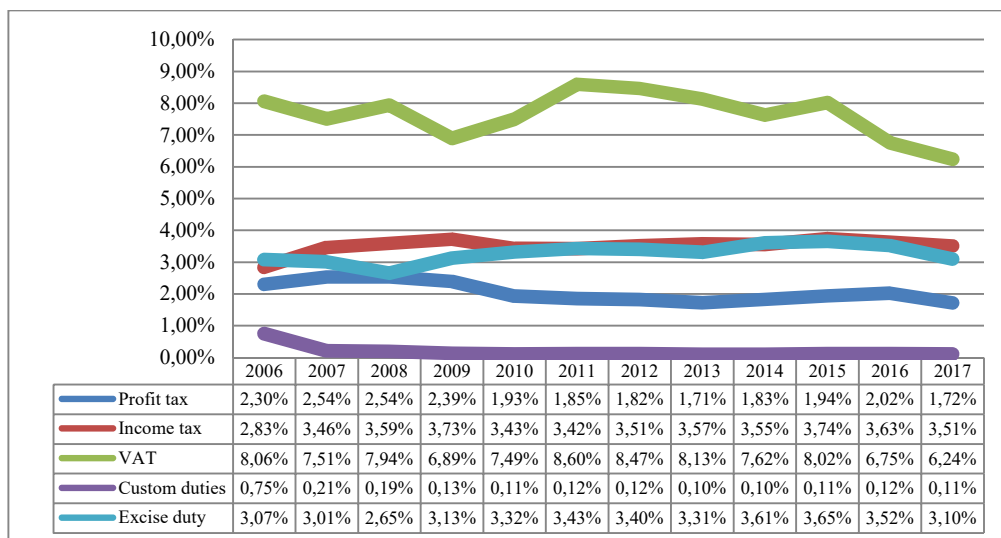
In figure 1, we try to study the fiscal pressure on direct, indirect taxes and social contributions in the 12 years of analysis. Thus, the highest fiscal pressure we encounter in the case of indirect taxes with values between 10.15-12.88%, the minimum value being in 2017 and the maximum in 2012. The low level of fiscal pressure from indirect taxes occurring after 2015 can be mainly explained by the drop of the standard VAT rate from 24% to 20% from 1 January 2016 and to 19% from 1 January 2017, but also the application of the 9% rate for certain categories of services and products (Law 227/2015 regarding Fiscal Code), which may suggest a relaxation of the taxpayer regarding his tax burden.

Regarding the tax burden related to direct taxes, over the period under review, this tax pressure has half the value of indirect taxes' tax burden. Its values are on a relatively constant trend, around 6-7%, values that can be explained by keeping the 16% tax rate for income and profit tax.

Observing the evolution of fiscal pressure on social contributions, its level is at half of the tax burden on taxes (indirect+ direct taxes), and its trend is ascending, registering a peak in the first half of the analysis period, followed by a downward trajectory after 2011, reaching the minimum value of 8.01% in 2016.

The tax pressure calculated for the main types of taxes, such as profit tax, income tax, value added tax, excise duties and customs duties, has undergone an interesting evolution in the analysed period. On the basis of the data obtained from the Romanian Consolidated General Budgets and based on the calculations made, we have found that the lowest limits are encountered in the case of the tax burden related to customs duties, with a low weight in the gross domestic product, namely between 0.1 and 0.75%. The evolution of this indicator followed a year-on-year downward trend, similar to the profit tax, which reached relatively linear values between 1.71-2.54%.





**Figure 2:** Evolution of the tax burden related to the main taxes

Source: own processing, based on data available from the National Institute of Statistics and Ministry of Finance

Analysing the figure 2 from above, we can observe that fiscal pressures of the excise duties and income tax overlap in the reference period, predominantly in 2010-2016. These fiscal pressures, combined, are close to the fiscal pressure from value added tax, which shows that VAT exerts a double or even a triple tax pressure, compared to other taxes. The decreasing of consumption, which was an effect of the 2009 economic and financial crisis, led to a decrease in the collection of VAT to the state budget. The recovery of this tax took place in 2010, when the VAT rate has increased from 19% to 24%. Changes in tax rates through VAT was passed, were the authorities' response to the negative effects of the crisis, the state only wanting to cover public spending and debt.

However, this tax throughout the analysis period was a constant source of income for the state budget; being the leader of indirect taxes (Cristea, 2017), because it represents, on average, more than 50% of their total.

On the basis of the statistical analysis, we can say that Romania concentrates its entire hope based on indirect taxation in order to collect the tax revenues to the state budget.

#### 4. Conclusions

In conclusion, we note that taxation is the only way to finance the public expenditures related to services and goods, which the entire population of Romania benefits from. That is why the fiscal pressure exerted by each tax, as well as the taxes and duties, are to be optimized to facilitate a high degree of voluntary compliance with payment, without discouraging economic activity and making budget revenues without resorting to excessive borrowing. An optimal fiscal pressure will lead to a higher collection of tax revenues, respectively to a better cover public spending, but also it will encourage investment, which would inevitably lead to economic development and general welfare. We believe that there must be an education of the Romanian taxpayer, regarding compliance with the payment of taxes. He needs to understand that the tax revenues of the state, that is taxes and duties he pays to the state, are in a closed and repetitive

circuit. In other words, if there isn't an efficient collection to the state budget, the state would not be able to provide services to the citizens, and it wouldn't be able to cover its public expenditures. This fact would inevitably lead to degradation at socially, financially and economically level.

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# THE OPINION OF THE INDEPENDENT AUDITOR – CONFIDENCE FACTOR ON THE FINANCIAL STATEMENTS

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**Abstract:** *The article presents the relevant aspects of the evolution of audit reporting, especially on the underlying issues that expressing qualified opinions or disclaimer of opinion. The content of paper include a review literature, national and international and a case study that identified and analyzed the qualified opinions expressed in the auditor's independent reports, after analysis the financial statements of companies listed on the Bucharest Stock Exchange for the period 2016 - 2017. The most important conclusion of the case study was that in all cases, the reasons that led to express modified opinions, was detailed in the auditor's report, this being considered as a reference guide for the future auditor's missions, as well as, a recommendation for improving the highlighted aspects.*

**Keywords:** auditor's report; qualified opinion; financial statements; financial reporting.

**JEL classification:** M40; M42.

## 1. Introduction

Auditor's report does not bring added value if the public does not trust the information offered by the auditor, or if it is considered that it could offer more than that (Mock, 2013).

Through this paper aims to emphasize the importance of issuing an appropriate opinion, which reflects that the financial statements was elaborated in accordance with the applicable financial reporting framework, but also the mention in the auditor's report of the reasons that lead to express another opinion that one unqualified. In the case study were analyzed 62 companies listed on the Bucharest Stock Exchange (BSE). Entities were grouped by industry, depending on the object of activity and it is done an analysis of the information from the financial statements and auditor's report. As a result of systematization of the data were identified qualified opinions and disclaimer of opinion and were explained the reasons that led to express this.

## 2. Theoretical considerations

Botez (2015) consider that the paragraph about opinion expresses in a synthesized form the auditor's conclusion about the financial statements and the belief that the auditor expresses an opinion on the compliance of the accounting references with the International Financial Reporting Standards.

The auditor's opinion may be influenced by the quality on audit, supported by the competence requirements, the ethical and professional conduct that the auditor should consider when fills is the mandate received. Competence is needed throughout the mission and leads to opinion based on the evidence, guaranteed by the auditor's independence and objectivity (Robu, Grosu and Istrate, 2016).

Barnes, Cussatt and Harp (2018) believe that the smaller auditors (non-Big4) were being stimulated to provide quality audits to attract and retain customers (national reputation) while larger auditors (Big4) have more to lose from reputational damage. The authors Chen and Hassan (2018) argue that the companies with collaboration culture can enhance the quality of information available within the organization; this high quality internal information environment is examined and analyzed by auditors, leading to decreased audit risk and audit fees. Francis, Wu and Siraj (2017) have found that auditor's experience of auditing firms from different industries was significantly and positively associated with audit fees. Also, the authors find that auditors who have extensive experience in several areas also charge higher audit fees for the diversified firms. Always when an opinion is different from the one unmodified, the auditor should add an explanatory paragraph in the auditor's report, explaining the reasons for his opinion (Fulop, 2018).

### 3. Methodology

In research were studied 62 companies listed on Bucharest Stock Exchange (BSE), with non-financial activity. Based on the annual reports published for the period 2016 - 2017 the companies were grouped on 9 sectors of activity. After analyzing the annual reports and the audit reports for the mentioned period, were synthesized how many entities submitted unqualified opinions and how many presented modified opinions. Also were structured the opinions that was found and grouped them by auditor categories, justifying the reasons that led to express modified opinions, according to the frequency that its meet in the audit reports.

### 4. Results

Table no. 1 contains the reasons for issuing modified opinions presented by their frequency, from the highest to the lowest. Reasons were analyzed for each entity by reviewing the audit reports issued during the review period.

**Table 1:** The frequency of reasons for the qualified opinions

Reasons	Frequency	Industry
Uncertainties about going concern	5	Manufacturing, Supply
Non compliance IAS	5	Manufacturing, Financial, Accommodation
Uncertain claims	5	Manufacturing , Financial, Accommodation
Fluctuations of assets	5	Manufacturing, Supply
Provisions and adjustments	4	Manufacturing, Financial, Accommodation
Transactions with affiliated parties	3	Manufacturing, Financial
Evaluations and revaluations	3	Manufacturing
Non-participation to inventory	3	Manufacturing
Costs capitalization	3	Manufacturing, Supply
Internal control deficiencies	2	Manufacturing, Financial,
Debts not reimbursed	1	Manufacturing
Non compliance contracts	1	Manufacturing
Inconsistencies between the initial balances and the final balances	1	Manufacturing
Returns and commissions	1	Manufacturing

Source: Own projection

The main reasons that the auditors encountered when they expressed qualified opinions, were related to uncertainties about going concern, most companies presenting reasons that support this uncertainties. The same frequency was for the non compliance IAS or the first use of these standards, but also uncertain claims or overdue maturity and fluctuations of assets, especially of immobilizations. Also was met, repeatedly, the omitting to record provisions or adjustments for assets that need this forecasts, reason present in three analyzed industries. At a lower frequency was met the companies that registered transactions with affiliated parties, but had not completed the transfer pricing file. Another aspect behind the issue modified opinions was that the start of auditing process was established after that the companies had the inventory, in which case the auditor could not take part to inventory. Do not record revaluation differences or not evaluating land and buildings at the right time, as well as, the capitalization of costs, were reasons found with the same frequency in the auditor's reports. Another reason for the ranking is represented by deficiencies encountered in the internal control system or in the accounting software and mistaken tests. This reason was only met in the manufacturing and financial industries. The last place was occupied by reasons found only in the manufacturing industry, related to: returns and commissions with current value greater than the estimated value, failure the obligations to the employees stipulated in the employment contracts, loans not repaid at the right time and initial balances that could not be confirmed or inconsistent between the initial balances and the final balances.

Table no. 2 contains the modified opinions, as well as the auditor's category grouped into two categories: Big4 and NonBig4. Of the total of 62 companies analyzed, only 12 companies listed were in case to express modified opinions.

**Table 2: Auditor's opinion**

Company - Industry	Year 2017		Year 2016	
	Auditor	Opinion	Auditor	Opinion
ARMATURA S.A. - Manufacturing	Non Big4	Disclaimer of opinion	Non Big4	Disclaimer of opinion
ELECTROPUTERE S.A. - Manufacturing	Big4	Qualified opinion	Big4	Qualified opinion
MECANICA CEHLAU - Manufacturing	Big4	Qualified opinion	Big4	Qualified opinion
MECANICA FINA SA - Manufacturing	Non Big4	Qualified opinion	Non Big4	Qualified opinion
OLTCHIM S.A. RM. VALCEA - Manufacturing	Big4	Qualified opinion	Non Big4	Qualified opinion
RETRASIB SA - Manufacturing	Non Big4	Qualified opinion	Big4	Disclaimer of opinion
ROMCAB SA - Manufacturing	Non Big4	Qualified opinion	Non Big4	Qualified opinion
SINTEZA S.A. - Manufacturing	Non Big4	Qualified opinion	Non Big4	Unqualified
VES SA - Manufacturing	Non Big4	Qualified opinion	Non Big4	Qualified opinion
S.N. NUCLEARELECTRICA S.A. - Electricity, gas, steam and air supply	Non Big4	Qualified opinion	Non Big4	Qualified opinion
TURISM, HOTELURI, RESTAURANTE MAREA NEAGRA S.A. - Accommodation and food service activities	Non Big4	Qualified opinion	Non Big4	Qualified opinion
NATURA QUATTUOR - ENERGIA HOLDINGS - Financial and insurance activities	Non Big4	Qualified opinion	Non Big4	Qualified opinion

Source: Own projection

In the first year of analysis, respectively 2016, eight opinions were expressed on the manufacturing industry (6 by Big4 and 2 by non-Big4) and three other non-Big4 reviews in the supply, hotels and financial industry. In 2017 was found nine modified

opinions in the manufacturing industry (3 by Big 4 and 6 by non Big4) and similar to the previous year were found three modified opinions in the supply, hotels and financial industries, expressed by non-Big4 companies. The difference of 51 in 2016 and 50 in 2017 represent unqualified opinions. There were three entities that showed particular situations. Two entities changed the auditor's category, so the audit opinion has varied. The entity Oltchim S.A. was audited in 2017 by a Big4 company that express a disclaimer of opinion and in 2016 although the auditor was changed to a non-Big 4 company, the opinion remained unchanged. The company Retrasib S.A. shows a similar situation, the auditor being changed from a Big 4 company who in 2016 was unable to express an audit opinion in a non-Big4 company that in 2017 issued a qualified opinion. A more special situation is presented by the entity Sinteza S.A. which has passed from an unqualified opinion (in 2016) to an unqualified opinion (in 2017), both being expressed by a non-Big4 company.

## 5. Conclusions

Throughout this article presented the theoretical and practical aspects regarding to the audit reporting and the issuing the auditor's opinion. The topic about the auditor's opinion about the financial statements remains an important subject to be followed by auditors, by the entity's management and by the users of the financial statements, when they take investment or strategic decisions.

The opinion that an auditor express after the analysis of the annual financial statements facilitates the confidence in these reports for the both parties, the audit board and the users of the entity results. The audit reporting is a complex activity and the opinion expressed by the auditor has an important contribution to investors' decisions because they are prudent to financial-accounting frauds, so their requirement for a revised audit report and a quality audit is warranted. The case study was focused on non-financial entities listed on the BSE to found if the auditors expressed modified opinions and if it were justifiable. A sample of 62 companies was fixed and after that was analyzed the annual reports and the audit reports of each company for the period 2016-2017. The auditors were divided into two categories, as well as the auditor's opinion for each year and the reasons behind the issuance of the modified opinions.

In conclusion many entities were audited by a Big4 auditor, this trend being in a continuous increase from year to year, and the most repetitive reasons behind the expressed modified opinions were related to: uncertainties about going concern, non-compliance with IAS standards, uncertain claims or the fluctuations of assets.

The limits of the research were the fact that is not a certified database; the data was collected manually, being retrieved from information published by the companies, their confidence being provided by the independent auditor's reports.

Future research directions can be materialized into expanding the number of companies and the period of study, as well as, a comparative analysis of the audit reports that present qualified opinions, of the companies from different countries.

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# THE CROSS BORDER COOPERATION BETWEEN ROMANIA AND HUNGARY

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**Abstract:** *European territorial cooperation means a balanced development of the whole community area by encouraging cooperation and exchange of best practices among all the EU regions, which was organized across three axes: cross-border, transnational and inter-regional cooperation. Cross-border cooperation is not just about financing and creating infrastructure, but also aimed to strengthen cooperation: one of the most important concepts of cross-border cooperation programs is to facilitate the joint development of geographically related areas, sharing resources separated by artificial boundaries. Strengthening economic and social cohesion in the border region can be achieved by investing in business infrastructure by supporting cross-border business cooperation and tourism development between the two countries*

**Keywords:** cross-border cooperation, financing, Romania, Hungary.

**JEL classification:** L83.

## 1. Introduction

The aim of the Cross-Border Cooperation program is to bring different actors closer to each other and together to better exploit the opportunities offered by the joint cross-border development of the border area. Therefore, the expected results are complex and the economic impacts of the program are mostly indirect.

The purpose of this document is to present a Cross-Border Cooperation program between Romania and Hungary and to briefly evaluate the relevant indicators for the occurrence of projects in the cross-border economic environment.

## 2. The cross-border cooperation program between Hungary-Romania

The eligible border area is south-eastern and eastern part of Hungary, northwestern and western part of Romania. It consists of four neighboring counties in Hungary and Romania.

Geographically, the program area is one of the Carpathian Mountains and Carpathian Hollow; the entire territory of the Hungarian side is part of the Hungarian Great Plain, while the Romanian territory includes all forms of terrain: the Romanian Western Plain, the Western Hills and some small part of the western karstic mountains (Muntii Apuseni). There are many rivers flowing from the border counties that come from Romania and flow into the Hungarian Tisza (Mureş, Crişuri, Barcău and Someş). These rivers connect with the neighboring counties, thus offering specific opportunities for cross-border cooperation.





**Figure 1:** Map of cross-border cooperation of neighboring counties.

Source: [http://huro-cbc.eu/en/programme\\_area](http://huro-cbc.eu/en/programme_area)

The total length of the state border is 448 km, out of which 415.8 km is terrestrial, 32.2 km is fluvial border (on the Mureş, Criş, Someş rivers). The total area of the eight counties is 50.454 km<sup>2</sup>, of which 43.7% is Hungarian and 56.3% is Romanian. The Hungarian territory is 23.7% of the total Hungarian territory and 11.9% of Romania's territory is in Romania.

The border line between Romania and Hungary is 448 km higher than the south-southeast direction. The border line starts near Batar (near the Ukrainian border) begins on the eastern side of the village of Halmeu, near Serbia and Montenegro, next to the river Mures. The towns in Ukraine are in the immediate vicinity of the four counties: Satu Mare, Bihor, Arad and Timis, whose capital cities are Satu Mare, Oradea, Arad and Timisoara. The border counties of Hungary are Bereg Szabó-Szatner, Hajdu-Bihar, Bekes and Csongrád who are in their capital in Nyiregyháza, Debrecen, Békéscsaba and Szeged. The Romanian population of the border represents 9.7% of the total population (22.327.000 inhabitants), while on the Hungarian side it is 18.5% of the total population (10.044.000 inhabitants). Between 1996 and 2006, the PHARE Cross-Border Cooperation projects were implemented, the amounts allocated to each country are shown in **Table 1**.

**Table 1:** The total amount allocated in the Romania-Hungary Program during 1996-2006.

Country/Programme/Allocated sum	PHARE CBC 1996	PHARE CBC 1999	PHARE CBC 2000	PHARE CBC 2002	PHARE CBC 2003	PHARE CBC 2004-2005 / INTERREG 2004-2005	PHARE CBC 2006 / INTERREG IIIA 2006
Romania	0 EUR	5000000 EUR	5000000 EUR	5000000 EUR	2450000 EUR	4730241.65 EUR	4453245.28 EUR
Hungary	4530000 EUR	5000000 EUR	5000000 EUR	5000000 EUR	5000000 EUR	16271940 EUR	134987541 HUF

Source: Ricq C., (2006), Manuel de la cooperation transfrontalier, Universite de Geneve.KPMG Tanácsadó Kft (2013), Final Evaluation Report of the Hungary-Romania Cross-Border Co-operation Programme.

In the period 1996-2003, from the EU Phare CBC Fund, for CBC projects was allocated a total of 34 million EUR on the Hungarian side, respectively 28 million EUR on the Romanian side. Between 2004 and 2006, several projects were implemented: 40 projects in 2004, 48 projects in 2005 and 50 projects in 2006.

The overall objective of the Phare CBC program for the period 2004-2006 was to consolidate the links between the population in the cross-border region, with its

communities and its economic operators, in order to provide a solid basis for a balanced economical and social development of the entire region, with benefits for both countries: Romania and for Hungary.

The PHARE CBC programs have played an important role in the development of key facilities in the border areas, including modernization of border crossing stations and roads, and business infrastructure development projects. Environmental protection was also an important area; the projects in this area focused primarily on water resource management in response to identified common challenges. The next phase of the cooperation it was the implementation of the Cross-Border Cooperation Program (tri-lateral) (2004-2006) between Hungary-Romania & Hungary-Serbia and Montenegro; the budget for the program was nearly 32 million EUR for Hungary (INTERREG) and nearly 20 million EUR for Romania (PHARE CBC), including national co-financing. Eligible beneficiaries of the program were primarily non-profit organizations such as local authorities, NOGs, foundations, associations and educational institutions. The 12-year cross-border cooperation between Hungary and Romania has now reached a very important milestone. Within the framework of the Hungary-Romania Cross-border Co-operation Program 2007-2013, the European Union will provide further assistance to territorial cooperation between Hungary and Romania, continuing the former INTERREG III.A. and the Community Initiatives Phare CBC 2004-2006. On 21 December 2007, the European Union adopted the 2007-2013 CBC Hungary-Romania program, with a total budget of 275 million EUR. This program aims the cooperation in the eligible areas and it was implemented in four Romanian counties (Timis, Arad, Bihar, Satu Mare) and four counties (Csongrád, Békés, Hajdú-Bihar, Szabolcs-Szatmár-Bereg) in areas such as transport and communication infrastructure, and social development through partnerships between actors on both sides of the border line. The program was funded by the European Regional Development Fund (ERDF), funded by the national co-financing of the two countries, Romania and Hungary, participating in the program. The total amount allocated to the program was EUR 275 million. During 2007-2013, 472 projects were selected under the CBC Hungary-Romania Program, selected at five auctions, totaling EUR 211 million. For the 2014-2020 periods, the amount of allocated territorial cooperation resources will decrease by about 15%. The way, in which the funds are disseminated, their priorities, and the founding of the basic measures and areas of intervention are still under discussion at the time of writing this article and there is no statement in this regard on the European Commission. The European Commission approved the INTERREG V-A Romania-Hungary program on 9 December 2015, for which the Ministry of Regional Development, Administration and European Funds acts as the managing authority. The INTERREG V-A Romania-Hungary Program, to be implemented during the 2014-2020 programming period, continues to fund cross-border cooperation in the Romanian-Hungarian border area through the European Regional Development Fund, with the support of the European Union and the governments of the two states. The main objective of the program is to finance integrated operations with strong cross-border and strategic impacts, better use of shared potential and joint management of the challenges of the eligible area. The total budget is 231.8 million EUR (of which 189.1 million EUR is non-refundable from the European Regional Development Fund (ERDF). The program finances cross-border cooperation initiatives implemented in the departments of Satu Mare, Bihor, Arad and Timis, on the Romanian side of the border, Szabolcs-Szatmár-Bereg, Hajdú-Bihar, Békés and Csongrád counties on the Hungarian side.

"KEEP ON COOPERATING!" was the name of the start-up conference of the program, which was held in Oradea (Romania) on 10 November 2016. The aim of the event was

to present the status of the program implementation, the achievements and the perspectives and stories behind successful cross-border initiatives in the region and all across Europe. The Monitoring Committee (MC) of the program held its second meeting of November 24, 2016 in Timișoara (Romania), wherein the MC members approved the launch of the entire, or in some cases, a part of the financial resources of certain investment priorities, by the end of 2016<sup>th</sup>. The members of the MC also approved the Communication Plan for 2017, the Anti-fraud Strategy and the Evaluation plan of the program.

The 2017 Annual Communication Plan aims to establish a common framework for the information and communication activities foreseen for 2017 in order to ensure their consistency and effectiveness as well as to adequately address the needs of the target group.

## Conclusions

Cross-border business cooperation represents an output indicator to promote the number of projects for cross-border business cooperation. From the 451 projects, 46 projects have been supported cross-border business cooperation (excluding development of tourism projects). The policy of the European Union, which provides a unique economic market through the abolition of internal borders and other trade barriers, aims at alleviating economic and social disparities between the border regions of the Member States.

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# EUROPEAN UNION POST 2020 BETWEEN RISKS AND OPPOTUNITIES

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**Abstract:** *The European Union is a unique project of cooperation, an example of multi-level governance. After World War II, the damage and the losses suffered triggered another approach than the model of Westphalian sovereignty, respectively the creation of a win-win opportunity. There were certain objectives to look forward to at the beginning, which were adjusted in the as the enlargement of the European Union progressed. However, history has its cycles, and thus the EU is facing now a tumultuous period, with one important demand regarding national sovereignty –the BREXIT, but also with serious displays of national sovereignty among the member states. In this context, a relevant exercise is a SWAT analysis regarding the EU project, as it is not easy to be a part of a group looking forward at the common objectives, while saving own interests simultaneously. The present paper attempts an internal and external perspective about the EU project based on the above mentioned SWAT analysis. Although the economic power represented by the European Union is undeniable, the aim is to also highlight possible uncertainties of the future.*

**Keywords:** European Union; globalization; SWAT; economic development

**JEL classification:** F13; F15; F6

## 1. Introduction

Jean Monnet wrote on his Memoir, in 1975: “Sovereign nations of the past are no longer the proper frame for the present problems that need to be solved. And the Community itself is only a step towards the organized world of tomorrow”. Nothing more true even this days. Monnet’s wards are more powerfull now as European Union is facing a multipolar world, with economies (China, India, Brazil) that have quickly advanced in overthrowing the top economies of the world, while some are also regarded from the concerning perspective of real threats to global peace and stability, due to the policies conducted in certain areas, including economic activities and trade practices.

In 2017, USA still is the strongest economy of the world with a GDP by 19390.6 billions dollars (USD), followed by China with 12237.7 billions USD, Japan (4872.1 billions USD), Germany (3677.4 billions USD), United Kindom, India, France, Brazil, Italy and Canada. China’s evolution is remarkable as in 1960 its GDP represented about 11% of USA GDP, and in 2017 it reached 63% of USA’s GDP. An astonishing performance considering taht in the eighties and the nineties of the past century Chiana was not among the first ten economies of the world. (World Bank database, 2018, <https://data.worldbank.org>)

The world moves fast and the impact of globalization is deepening. The evolution on the IT market with its exponential growing e-commerce component, the labour force mobility and labour skills mobility, both for high skills as well as low skills, create pressure regarding the EU’s objectives –more competitiveness, more jobs, deepen

integration. Nevertheless, the threats represented by neighbourhood insecurities, the economic, financial, political and social crisis of the last ten years, added to the pressure. In this context, the following question needs to be posed: Is the European Union ready to face the challenges of globalization?, and it was posed by many academics, decision-makers and researchers.

In order to identify possible answers to this question in the following sections we present the possible use of the SWAT analysis by first reviewing the state-of-art in the literature regarding this analysis, and by creating a framework for the European Union. The perspectives are based on statistical data from EUROSTAT and World Bank database that are then summed up in a SWAT analysis applicable to the EU project.

## **2. Literature Review**

SWAT is a well-known specific tool in the strategic management field reflecting the four most important dimensions of managerial decisions: Strengths, Weaknesses, Opportunities and Threats. It is used as a guide to identify the negative and positive aspects (S&W) of the enterprise's internal environment, along with the opportunities and threats offered by its external environment for strategic planning and decision-making considerations.

Albert Humphrey, an American business and management consultant, is considered to be the promoter of SWAT analysis, but he did not claim the creation of it. Back in sixties and seventies, he conducted a research at Stanford Research Institute using data of companies from Fortune 500, a list of the strongest 500 US corporations that is annual compiled and published by Fortune magazine.

Mehta considered the SWAT analysis as being simple, not requiring specific skills, flexible, and being an analysis that "allows the marketing manager to integrate and synthesize information, both of quantitative and qualitative nature". (Mehta, 2000)

Hill and Westbrook, in their article SWAT Analysis: It's Time for a Product Recall, stated that among all the other "framework and approaches used in the analysis of a company's strategic position, one of the most straightforward is the SWAT analysis."(Hill and Westbrook, 1997)

The implementation of strategic management in the public sector is very useful as the imperative is to use efficiently public resources "in the face of rapid change and increasing competition all over the world", by using as tool the SWAT analysis to solve social problems. (Tuncay 2015)

## **3. The European Union Framework**

European Union is now a union of 28 countries, including the United Kingdom which chose to leave but the process is not fully accomplished yet. What started as a small economic community, became a huge single market and a unique political union. The 28 member states put aside some of their sovereignty and joined the EU looking based on common objectives aimed at economic and social development.

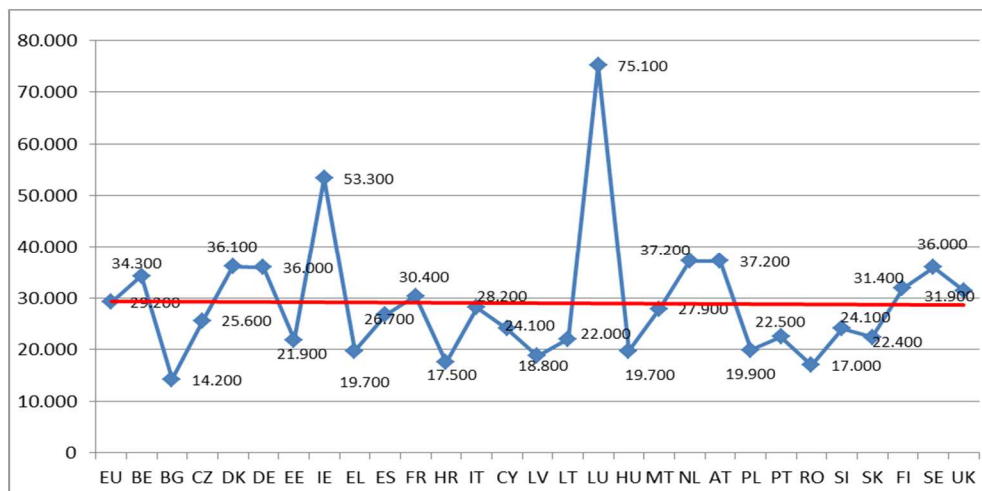
The EU has legal personality, governing institutions – the European Parliament, the European Council, the European Commission based on treaties negotiated and ratified by the member states, supplemented with regulations and directives, and this triangle is responsible for policies and decisions at EU level.

The economic, social and territorial cohesion policy is relevant for the EU's investments policy, and ranked second as importance among its policies. The cohesion policy targets to boost economic growth and to improve the quality of life in the EU's regions, by reducing the disparities between its regions. The European

Regional Development Fund and Cohesion Fund are the main instruments of EU's strategic investments.

The EU budget for the period 2014-2020 is about 1087.1 billions euro. Its size as percentage of gross national income is only 1.03%, an average of the period 2014-2020. There are six main areas of expenditure: sustainable growth, natural resources (39% of the budget); economic, social and territorial cohesion (34%); competitiveness for growth and jobs (13%); global Europe (6%); administration (6%); security and citizenship (2%). (European Commission, 2018)

Comparing Gross Domestic Product per capita of EU's member states we can have an overview about the living standards and highlight still existing disparities.



**Figure 1:** GDP per capita at PPS in 2016, member states versus EU's level  
Source: EUROSTAT, name\_10r\_2gdp

The estimated budget of EU27 (without UK) post 2020 is 1134.6 billions euro, about 1.11% of gross national income. The areas of expenditure for next period are: cohesion and values (35% of the budget); natural resources and environment (30%); single market, innovation and digital (15%); neighbourhood and the world (10%); European public administration (7%); migration and border management (3%); security and defence (3%). (European Commission, COM (2018) 321 final)

#### 4. SWAT Analysis

The rapid change of the world, globalization, the economic and financial crisis of 2008-2013, the migration crisis and EU's neighbourhood instability are factors influencing decisions and policies. The table below highlights the main SWAT essential points regarding the EU project.

**Table 1:** SWAT analysis of the EU project

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Legal personality</li> <li>• EU's peace promoting capacity by conflict diplomatic negotiation</li> <li>• EU model of multilevel governance</li> <li>• SMART objectives</li> </ul>	<ul style="list-style-type: none"> <li>• Aging population</li> <li>• Public debt crisis</li> <li>• Increasing euro-scepticism</li> <li>• BREXIT</li> <li>• Power distribution among its</li> </ul>

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• The huge single market</li> <li>• Labour force mobility</li> </ul>	<ul style="list-style-type: none"> <li>• member states</li> <li>• NATO membership of 22 EU member states</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• EU's economic power</li> <li>• European Monetary Union (common currency)</li> <li>• A common military force</li> </ul>	<ul style="list-style-type: none"> <li>• China's rapid evolution</li> <li>• Its neighbourhood instability</li> <li>• The migrants crisis</li> <li>• Terrorism</li> <li>• EU's energy dependence</li> </ul>

Source: own processing of the authors

## 5. Conclusion

The European Union is a unique model of multilevel governance, of economic and political union and an important actor on the global stage. Among its several strengths, one of the most important is the capacity on promoting peace by diplomatic negotiation in conflicts proven by the more than 70 consecutive years of peace in the region. However, in the last decade EU faced important uncertainties creating inside pressure. The euro-scepticism among citizens and politicians is increasing. The value added brought by the investments made through EU's funds has to be emphasised wherever the idea that the contribution to the EU budget is higher than gains is used as an argument by Euro-sceptics. The motto "better together" is the guideline.

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# GROSS DOMESTIC PRODUCT, SYNTHETIC INDICATOR OF MACROECONOMIC RESULTS. A CRITICAL ANALYSIS

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**Abstract:** *In this article the author aims to analyze the definition of the gross domestic product (GDP) and of its three methods or ways of calculation, to outline the possible differences of the results obtained between the three modes of computation, the opportunities to reach the result closest to economic reality, but also the possibilities of distorting the size of GDP in each of the three methods of calculation thereof. Of course that these possible distortions are not intentional ones, but they can generate significant size differences between the results of the calculations. Another analyzed issue will be the comparability across different time periods of the GDP, needed to be able to make accurate comparisons between the size of GDP in different years. For the three ways of computation the definitions (formulas) used are the definitions provided and used by the National Institute of Statistics from Romania.*

**Keywords:** GDP; methods; production; income; expenses.

**JEL classification:** E60

## Introduction

It is difficult to select an aggregated economic indicator that could provide us the maximum of useful information. The economic reality is far too complex for anyone to be expressed in a single number. However, reducing something complex to the level of essential has its meaning, otherwise we could get lost in the complex reality as we would get lost in a desert. We need a reference point for orientation. This reference point, in economics, could be the GDP.

I did chose the gross domestic product (GDP) since it is the most widely used indicator worldwide and is the most comprehensive. I decided to analyze the definition of GDP and three modes of computing, the possibilities of reaching the result closest to economic reality, but also the possibility of distorting the size of GDP in each of the three modes of calculation .

## 1. GDP: history, definition and calculation methods

GDP as a concept was originally created by William Petty, between 1652 and 1674, then Charles Davenant developed the method in 1695 and contemporary meaning of the term was formulated for the first time by Simon Kuznets in a report to the U.S. Congress, in the year 1934. After the Conference in Bretton Woods in 1944, GDP has become the main tool for measuring a country's economy. In Romania it has been used since 1990, with retroactive recalculation of GDP until 1980, including and replaced the previously used economic pointer indicator Social Product. The history of the concept of GDP is relatively straightforward, but the accurate calculation is difficult enough, from more than one point of view.



GDP by itself, as any aggregate indicator, does not tell us much about its components. Of course, theoretically, as the per capita GDP of a country is higher, we can assume that people in that country are richer, at the individual. But is only an assumption, it might be true or not. It does not tell us anything about the pollution that might accompany the GDP growth from one year to another, or about the fact that the people of that country could be happy or unhappy. Nor does it have to and this is not its meaning, it is an aggregate indicator that quantifies something totally else.

According to the EUROSTAT definition, "GDP is the measure of a country's economic base, as aggregate output is equal to the gross value added (GVA) produced by all the entities resident production plus taxes and taxes on products minus subventions on products. GVA is equal to the output minus intermediate consumption".

According to the OECD definition, "GDP is equal to final consumption expenditures plus gross capital formation plus import minus export".

As defined by the UN, "GDP is gross value added plus taxes minus product subsidies on product or GDP is the sum of all goods and products consumed (consumer goods and services and capital) for the price of the final customer minus import or GDP is the sum of primary incomes by resident production units." We can notice that the definitions are equivalent, the UN ones are more comprehensive as forms, but all the definitions refer to the same thing. The international standards for measuring GDP are contained in the book *The System of National Accounts* (1993), which was written by representatives of the IMF, EU, OECD, United Nations and World Bank. It has as reference SNA93 to distinguish it from the previous 1968 edition. SNA93 provides a set of rules and procedures for national accounts, standards are flexible, to be able to be adapted to the local needs and conditions of the statistical purposes. On one hand, the method of calculating GDP is standardized, on the other hand there may be, for each individual country, certain specific peculiarities. In each country, the GDP is measured at nominal value by an organization, institution, government authority for statistics, since a private entity cannot have access to all necessary data (e.g. production costs and/or governmental entities income or output). In Romania, this task is the responsibility of the National Institute of Statistics.

The Gross domestic product (GDP) is the sum of final products (goods and services for consumption plus gross investments) obtained within the borders a country, whatever the nationality of the entity or person who has worked or owns the capital, within a specified period, usually one year.

In the GDP are not included capital depreciation, transfers from the state budget (payments made to individuals, but not in exchange for goods or services rendered, as unemployment benefits, pensions, aid to the poor, the payment of interest due for government debt).

GDP is calculated at market prices (average prices of the year), and to be able to make comparisons between different years indexes of prices-deflation are used.

GDP is calculated by three methods: the method of production, expenditures method and incomes method.

- Production:  $GDP = GVA + TP - SP$ , where GVA = gross value added at basic price, TP = taxes per product, SP = subsidies on products
- Expenditures:  $GDP = FCE + GCG + E - I$ , where FCE=Final Consumption Expenditures, GCG=Gross Capital Growth, E=export of goods and services, I=import of goods and services.
- Incomes:  $GDP = W + GOS + TPI - SPI$ , where W=wages, salaries, other work related income, GOS=gross operating surplus, TPI=taxes per product and import/export, SPI=subsidies per products and import/export.
- The main sources of data used for the calculation of the GDP are:

- Statistical sources: annual and monthly surveys concerning industrial production series, construction, services, trade, production of agriculture, surveys and inquiries regarding earnings and employees series..
- Administrative sources: official documents of the state budget, local budgets, state social insurance budget, balance of payments.

## 2. Critical analyses

The definition of GDP implies a **territorial criterion**, rather non-territorial authority, are not included, for a State, the proceeds of that State firms out of the country, and any reinvested earnings of foreign subsidiaries of companies from that country.

Gross investments are not corrected with the depreciation of capital, which is analogous to the situation in which we start from an initial population of a state at time  $t$  and add the new born children there all year round and then we would consider that the outcome of such adding is the population that state at time  $t+1$ , without subtracting the dead or emigrated and adding those who have established in that state, during the time period taken into consideration.

Theoretically, starting from the three formulas, the results obtained should be identical. So it would be, if would live in an ideal world. The problem that preoccupies me is which of the three methods of computing is closer to reality. Theoretically, all the three of them, of course, because is mathematic, mathematical formulas. Still, the economy is not pure mathematic, it can be expressed by mathematical formulas and theoretical models. The economic reality is far more complex than usually these patterns are, so that I will try to present what I think I have found as the weak points in the armor of these mathematical formulas.

Each of us would avoid, if we could, paying taxes. I suppose that firms use any weakness of the existing laws of any State to diminish or defer them. The methods of production and income contain this indicator. In addition, the income method includes the work related incomes of employees. What happens in the gray or black areas of the work force market by this method escapes the calculation, and in addition Romania has a huge number of citizens established outside the country, by the order of millions. How many they are exactly and in which countries is unknown even by the authorities of the destination countries while others have already renounced Romanian citizenship, so they no longer appear, even in official documents, as Romanian citizens, but most of them still have strong family ties in Romania, where they send money to either maintain their remaining members in Romania or to invest in new houses, land, etc. All these sums of money are included in the calculation by method of expenditures, but escape both the method of production and the income method. Still, to the expenditures method escape the incomes obtained in Romania by foreign residents in Romania and sent out of the country. In addition, using this method, we will have to subtract from GDP some specific transfers from the State budget (payments that are made to individuals, but not in exchange for goods or services rendered, such as unemployment benefits, pensions, aid to the poor, payment interest due from the state government debt).

The advantage of the incomes method and the method of production is that they have as source of information more data from the financial and administrative accounting, balance sheets of financial institutions, economic agents, the implementation of the state budget, local budgets, state social insurance budget, balance of payments.

The calculation of the GDP should be made, maybe, by all the three methods at once, analyzed and correlated the differences, and then eliminated these differences, from a rigid calculation it becomes more an estimate.

### 3. Conclusion

Each of the three methods of computing has its strong points and its weak points, and by calculating the GDP through the three methods, on the basis of the data available, I am sure that there would be differences in the final results. Far from being necessarily wrong, these differences could be sources of data about phenomena that escape a superficial observer, but included in a data analysis they could lead to interesting information about economic trends of a country. My basic idea, from where I would start in research, is to search for connections that are not necessarily visible on the first glance of the available data, data and connections someone skilled could possibly turn it into useful information, using tools made available by mathematical statistics.

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# HEALTH EDUCATION CONCERNING POST AS A STRATEGY FOR OBESITY

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**Abstract:** *At present, in the context of the development of society, Romania is a developing country that passes some exams to reach the level of the West. But the problem is that in the West where GDP (Gross Domestic Product) is up, there are risks. One of the risks is the tendency to consume higher amounts of food than the body needs. The National Institute of Statistics highlights that distribution by body mass index reveals that 46.4% of the 18-year-old resident population and over is overweight (54.1% of men and 39.2% of women) and 9.3% suffer from obesity (9.0% of men and 9.7% of women). This work wants to discover the consequences of such a style, which are the best rules for BMI and how the post can be a solution for obesity.*

**Keywords:** health; education; prevention; BMI; obesity.

**JEL classification:** A12

## 1. Introduction

People began to be interested in the calorie restriction in the 20th century when scientists made the discovery that animals living with restrictive regimes lived longer (Last, 2007). They later noticed that excessive food intake is a burden on the body. The tendency to consume higher amounts of food than the body needs exists in all living creatures including humans. Under normal conditions, a study reveals that the rats live for 3 years if they have food at their discretion, life span is reduced to two years; but if they are kept under a restrictive regime, they live for four years.

In the context of the development of society, this great world is sick, and wherever the children of the people live, the wrong teachings and suffering abound. Despite the progress of medical and surgical science; in spite of the army of the great skilled physicians who, like an armed white army, are thrown into the fight against disease and death, in all civilized countries, suffering and illness grow rapidly. We mingled in the good course of the wonderful human machining, and its delicate mechanism was made to work against the law of its life and resistance; the consequences were sickness and death.

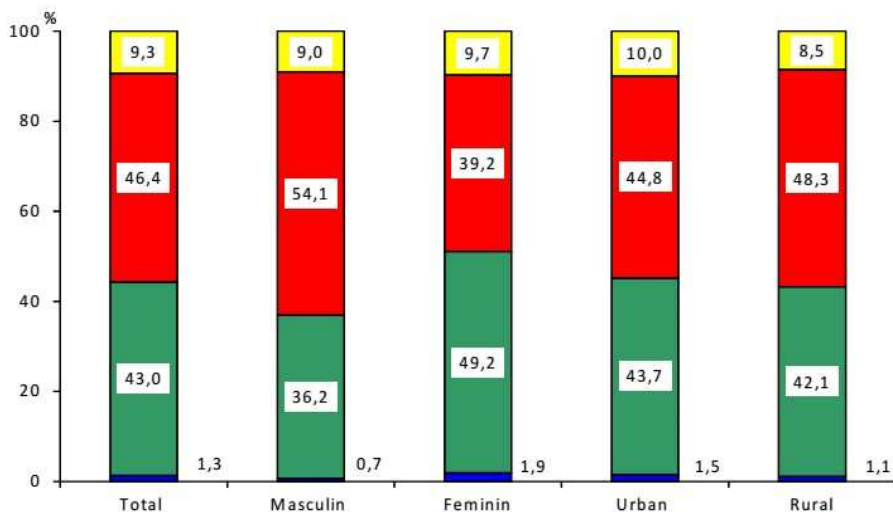
## 2. Context

Describing the term obesity, indicate a body mass index (BMI) that is around the 30th or even more. Already overweight is found from 25 to 30. To identify the BMI, a calculation is needed that will take into account the weight and height of the person. But even under these circumstances, BMI has some limitations.

As we can see below, ([cdc.gov/obesity/](http://cdc.gov/obesity/)), show what factors we need to keep in mind about the problem of obesity. In this case, age is one of the factors, then the sex factor, masculine or feminine, another factor is the ethnic one, another one is the muscle mass of each individual. All of this may influence the relational interactions between BMI and the physical body from a relational point of view. In this regard, we can also

identify that BMI does not highlight the confrontation with the distinction between too much fat, too many muscles or too much bone mass. Also not related to this issue is no idea about fat intake among individuals.

The National Institute of Statistics highlights that distribution by body mass index reveals that 46.4% of the 18-year-old resident population and over is overweight (54.1% of men and 39.2% of women) and 9.3% suffer from obesity (9.0% of men and 9.7% of women). This work wants to discover the consequences of such a style, which are the best rules for BMI and how the post can be a solution for obesity.



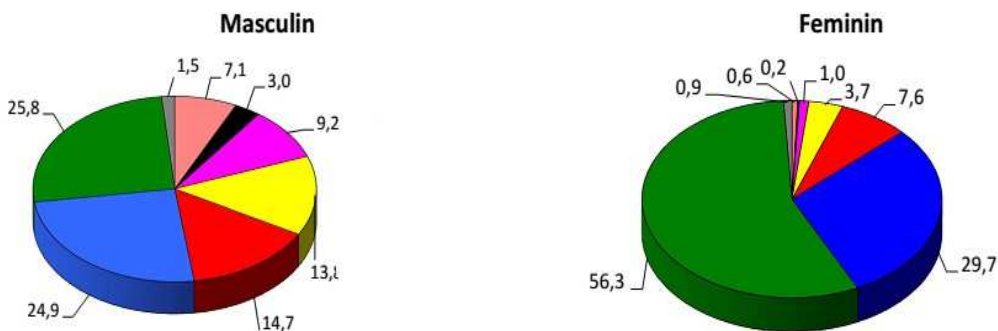
**Figure 1:** Residential population 18 years and over, by body mass index, by sex and residence area

Source: The National Institute of Statistics.

Others statistics reveals that People with obesity are more common in urban areas (10.0% vs. 8.5% in rural areas) and those that are overweight have a higher share in rural areas (48.3% 44.8% in urban areas). Of the total resident population aged one year and over, 99.5% consumed fruits and vegetables, the daily consumption of fruits being mentioned by 30.4% of the population and the vegetable consumption by 30.1% of the population.

Of the total population aged 6 and over, only 9.2% stated that they do weekly sports or various recreational leisure activities (12.0% of the male population and 6.5% of the female population). Most people doing such activities are children aged 6-14 (41.4%) and young people aged 15-24 (19.6%); after this age, the share of people doing sports in free time drops significantly from 7.3% in the 25-34 age group to 0.1% in 75 years and over.

Of the resident population aged 15 and over, 57.2% have consumed alcoholic beverages in the last 12 months preceded the interview, and 19.2% never consumed alcohol. Men consumed alcohol in much higher than women (72.6% vs. 42.8%). Most alcohol consumers are among the 45-54-year-old men (83.9%). From the resident population aged 15 and over 18.7% frequently consumed alcoholic beverages (at least once week).



**Figure 2:** The frequency of alcohol consumption  
 Source: The National Institute of Statistics

It's just an alarm signal and it's afraid to see what's happening in people's stomachs. A criterion for evaluating men and women about what they want to eat seems to be if the taste is bad, good or if it makes you feel good. No wonder that 50% of Romania's population is overweight or obese. In America over 66% of the population is overweight or obese. Here, too, you have over three million dollars spent annually in diet formulations and exercise tools. Interestingly, an average person consumes 669 kg of food in one year. This is undoubtedly a major factor of one and a half million patients who complete hospitals every day of the year. (Crews, 1984: 3)

The weight surplus has spread across the globe, and this suggests that the environment has changed in such a way that less and less people are able to maintain a healthy weight. They rely on their own biology and body instinct, and they cannot defend them. An ordinary person is hurt every day with the food they eat. Most people eat something that pleases their eyes just and they do not think about the adverse effects of some chemicals. If the food looks good, they do not question whether it is health or substances that are harmful to some. Few people know what kind of food they need to put in their bodies so that they can be well and tightened.

Many do not have time to research the ingredients of what certain foods are. They do not even have time for a rational selection of two or more products. Some Romanians are looking at the price to be as small as possible and the quantity to be as high as possible. But that's the secret here. More expensive products appear to be healthier, while the cheapest are unhealthy. From the very beginning of life to an advanced age, the average individual never feels the taste of a real natural diet. Our wonderful taste buds have been generations so polluted by unnatural, artificially spicy and stimulating foods, so most of us are not able to appreciate the delicate flavor of natural foods. On the other hand, we can see that much of the revenue is put aside for pills and medicines. (Polak, 2015).

Although people are afraid of the disease, in a higher percentage than they fear other threatening factors, they still do little. Once the disease has been installed in a human body, it is only then that people begin to take care of their health. In a year, if we were to calculate how much a man would pay to prevent disease, we would see that for every penny used, 0.95 lei are used for medication, and for prevention 0.05.

### **3.Circumstances**

The calorie restriction triggers a series of changes by making the body concentrate its resources towards the basic survival.

Posture and calorie restriction can slow down and even stop tumor growth and other diseases. The post stimulates the immune system and diminishes the side effects (Robinson, 2014).

There are some measures that can be taken to ensure the loss of body weight surplus and its control. Although it may be difficult to get used to them as they are practiced, these measures are getting lighter. Causes for obesity are: eating between meals, sedentary lifestyle, excessive consumption of sweets, too few hours of sleep, too much late evening meal, more dishes consumed at the same meal, animal protein (Belanger, 1997).

To control body weight, there are a few recommendations for a weight loss program:

1. Completely remove all free fat, namely mayonnaise marinated roasted fat foods used in cooking oil in peanut butter
2. Take into consideration the possibility of using full diet vegetarian milk, all kinds of cheeses, yogurt and beaten milk are used by the animal to grow. But if he consumes them after he has grown, he will grow fat. In this way we are prone to allergies, colds, sore throats, ear pain and digestive problems. It is then manifested by the injury produced in the form of hypertension, obesity, diabetes, cancer, or heart disease (Johansson, 1999).
3. Do not eat anything after 15 o'clock in the afternoon as metabolism changes.
4. The more food you eat, the better your weight goes. Try to eat only crudities for 30 days. If the body is accustomed to consuming another type of diet, a sudden change through cruelty consumption can cause digestive problems. But if you gradually increase the amount of crudities you consume then it will be better. A fruit salad can be made from honey, oranges and sunflower seeds.
- 5 Immediately after a meal, walk for 25 minutes.
6. How much less food is consumed at the same meal, the lower the body weight balance.

### **4.Conclusion**

It is a good idea that the post to be easily postponed, eliminating the evening meal on the first day and all the meals on the second day. The third day will eat a quarter of the usual morning meal, half of the lunch and nothing in the evenings. On the fourth day, three quarters of the morning meal can be eaten, and lunch will be the first full meal after fasting. The transition period should be as long as the post. Use the same number of days to reach the first full table.

It is a good idea to reflect on the diet and culinary habits that you are about to see if you need more discipline and lust for your appetite during this time.

It is known that the doctors investigating the causes of the diseases admit that the diet they adopt has consequences for later health. The human body is the product of what we ingest, and what we eat determines the quality of health or at worst the deterioration of health. The better you want to have good nerves, bones in good condition, pure blood and healthy cells, then, it requires a proper diet. There is a very important idea about the facts and consequences, namely that many are doing their own wrong with their own habits.

The post can be easily postponed, eliminating the evening meal on the first day and all the meals on the second day. The third day will eat a quarter of the usual morning meal, half of the lunch and nothing in the evenings. On the fourth day, three quarters of

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## OUTSOURCING - RELATIONSHIP BETWEEN SMES AND LARGE COMPANIES

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**Abstract:** *The processes of globalization of the last decades are characterized by the increasing interdependence of different countries; the situation at the level of the main actors, which are the transnational corporations, is also found in the small and medium business. International economic relations have been tightened before. They were organized and regulated, especially at the financial and cost level, by the host states of economic agents. Economic processes were taking place within national economic systems. In the current situation, national regulatory bodies give way to global markets, which take over the universal regulatory function. This situation sets new tasks and conditions for small and medium business.*

*The paper presents an analysis of the interaction of outsourcing as a form of SME with other actors of the global industry, interactions that are part of the whole economic complex.*

**Key words:** outsourcing, interdependence, economic development, industrial relations, SMEs, decentralization of processes

**JEL classification:** L11, L22, L26

### Introduction

Transnational corporations (vertically integrated corporations) are important players in the global economic system. They support a well-coordinated policy in the allocation of resources and technologies. They have the most advanced technologies that promote the mass production of science goods. The share of small and medium enterprises involved in technological co-operation with transnational corporations is steadily increasing. The growth of the potential of the concern occurs not only through the concentration and through centralization of production and capital, but also through technical-scientific and technological innovation (Florida, 1999). No less important for increasing potential is the increase in the number of small and medium-sized enterprises, closely involved in different stages of the production processes of enterprises, such as outsourcing. This participation brings benefit and increases the efficiency of concerns. Therefore, the SME sector, through outsourcing, has become an active participant in high technology processes, far exceeding the phase in which only jobs were created in family businesses.

### 1. Outsourcing, concept and development

The concept of outsourcing is the delivery by a company, on a contractual basis, of concrete business processes or production functions to another company, which is specialized in the respective field, for execution. In contrast to unified, episodic and random service, start-up and end-time limited, outsourcing typically delivers on-going

professional support functions to separate systems and infrastructures based on long-term contracts duration (at least one year). Depending on the specificity of the activity and the sector of activity, the objectives, tasks and processes of each concrete company, the outsourcing services differ substantially from one firm to another.

The presence of the business process outsourcing particularity is distinguished from other various forms of service provision and service subscription.

Outsourcing is part of the company's management strategy used to transmit the works and services of a foreign contractor and is based on two closely related elements: division of labor and leadership functions. The scientific basis of outsourcing can be considered the concept of division of labor.

Although the notion of outsourcing has been introduced recently, and in other countries of the world, it has been used since the second half of the last century, this type of business has its beginning several decades ago. At the end of the nineteenth century and the beginning of the twentieth century, the US and Western Europe began the formation of the remote management market thanks to the many legal offices, audit and consulting centers that started with successful market activity. Start using qualified external resources (outsourcing) can be considered decision of the head "General Motors" in 1921 Alfred Slown (Shumpeter, J. 1954). The policy approach, business decentralization and leadership coordination, as well as close cooperation with management and narrow-profile companies, based on long-term collaboration, have created a grand effect. In just 6 years, General Motors forced its main market competitor, Henry Ford's company, to reach a 43.5 percent market share worldwide. They considered that no firm could be self-sufficient and laid the foundations for outsourcing - the method of cooperation in production and management - in industry. The method's synthesis was the organization of production based on the cooperation of component-based plants. Outsourcing had three levels of vertical integration. On the first level, the production was carried out at the plants with strict specialization (about 250 companies). The second level reflects the cooperation with companies supplying automotive filling units (about 7000 companies). Only at the third level was the ultimate result of the cooperation from the previous levels - the final conveyer of production. The structure of the participants in this collaboration indicates that only 2% of the total cooperatives were companies with over 250 employees. The remaining 98% were small businesses.

Currently, there are a number of types of outsourcing of processes in economic activities, many of which are successfully implemented in Romanian companies.

The areas of activity of the most widespread and actively developing outsourcing are: accounting, audit, jurisprudence, staff management, marketing research, IT, logistics, publishing, etc. (Hyneman, Frank 2002).

## **2. The implications of outsourcing in the business of large companies**

Small business access to corporate production is only possible under certain conditions. Classical outsourcing conditions create corporate symbiosis - small business. Corporations need to make a quality product with minimal costs. In this context, some steps in producing finished product components require considerable effort on the part of the corporation, which benefits the outsourcing path with the involvement of small businesses.

Many international corporations actively practice outsourcing. Some business processes, as well as some production functions, are passed on to specialized companies in their respective areas, (Di Gregorio, et al. (2009)). This refers to basic production, maintenance of equipment, transportation, supply, warehousing and other

logistics segments. These processes determine essential changes in the structure of contemporary markets. The success of the large corporations' economic activity depends not only on the skillfulness of the strategic organization of production processes for profit, but also on the harmonization of efforts in logistics; the efficiency of the operation of all links to the creation and marketing of the product (Bell, 1973).

Here comes the responsibility and importance of outsourcing partners, from supply to after-sales service. Transferring the separate links to create value plus small business is organically necessary for any company and, above all, for large corporations across borders. Small businesses performing outsourcing for transnational corporations get a new status, that is, they are part of the "constellation" of these big companies. This distinct status distinguishes them from the rest of the SMEs and attributes them special features that manifest themselves in the national economy.

Corporate domination imposes on the small business associate harsh operational requirements in terms of discipline, organization and quality. SMEs in "constellation" create a stable and safe foundation for corporations, the latter having the opportunity to focus on further technical and technological developments. This phenomenon makes the SME segment associated with transnational corporations' dynamic, forward-looking.

According to statistical data, in 2017, the global market size of outsourced services was valued at 88.9 billion U.S. dollars, increasing with 12 billion dollars from the previous year. This includes the contracting out of specific business processes, such as human resources, or customer-related functions (front office) like customer care operations in call centers. Business process outsourcing is also often related to IT functions. This shows the global raising of this type of services.

### **3. The need for outsourcing in the activity and development of large companies**

The need to involve outsourcing for the development of large business is identified in the weak criteria, characteristic of the dimensional particularities of the companies, such as the described below ones.

1. Big business is the bearer of the capacity to develop scientific progress. As far as the organization of production is concerned, large business can build horizontal, inter-sectoral cooperation for the implementation of scientific innovations. However, with the increase in cooperative dimensions, the centralized management performance decreases. Losing managerial efficiency leads to loss of business efficiency. Thus, the solution is decentralization. Therefore, some stages of the entire production process are outsourced.

2. Big business, thanks to greater credibility from financial and state institutions, is gained through access to financial, material and human resources. Financial stability appears as a guarantor of repayment of loans and professional skills. However, effective resource management involves an increase in spending. Their diminution can be solved by the same way of decentralization and delegation of powers.

3. Large corporations are advancing in supporting their own product demand by creating brands and promoting product image. However, applying these advantages to regional markets requires knowledge of the local specificity and the respective harmonization of management methods. In this area, subcontracting under outsourcing conditions to small business firms is rational.

## **Conclusions**

In the rhythm of economic development in the process of globalization, the development of large companies is supported by the presence of outsourcing as a form of small business on the market. Interdependence, the need for small and medium-sized businesses in the economic, technological and manufacturing complex of large companies, in turn, create new opportunities for small business development. Contemporary industrial relations imply the active participation of small business, which serves as additional support for their development in close correlation, especially in the high technology production chains. The business of micro-enterprises depends largely on the success of products that come to the global market. Thus, the process of forming global markets involves new advantages and opportunities for small business. Moreover, the participation of SMEs in these processes becomes an important factor for their further development. At the same time, liberalization of international trade is manifested through the special development of bilateral and multilateral trade relations. Increasing the volume of international trade, supported by the removal of barriers and the improvement of trade-related legislation, opens up additional opportunities for SMEs (especially those involved in modern technological processes). The premise of international cooperation appears to enhance the success of internationalization, involving active participation of SMEs. Small business is present in services, trade and production. In these areas, he interacts with modern technologies dominated by international corporations. SMEs do not have technological production chains and cannot produce high technology goods alone. Small businesses can only engage in these processes in partnership with corporations, where they receive the materials, technologies and novelty necessary for production. SMEs have a place in the corporate production structure and, as a rule; they supplement the production process with some technologies or simple operations that complete the product creation process. Therefore, the impressive number of technological SMEs is both organizationally and economically dependent on international corporations, their success or failure on the global arena.

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# THE IMPORTANCE OF EDUCATION IN RURAL ENVIRONMENT IN ROMANIA

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**Abstract.** *Education represents one of the highly debated issues in Romania, but few solutions have been implemented until now for a better environment, especially for the rural area. Education comprises the development and training of citizens in a society. This is the reason why education is necessary for young people in Romania to improve their skills and abilities according to labor market needs. However, in Romania there are some shortcomings in education among people coming from rural environment, due to some factors, mainly the poverty rate. Thus, the objective of this paper is to underline the need to educate young people from rural areas and to explore the particularities of youth development in Romania. Through this training, the economic growth of our country is claimed, proposing a better perspective for young people who often choose to abandon school, leading Romania to a regress or even an increase in illiteracy. In a nutshell, education represents one of the key factors in Romania's sustainable economic development.*

**Keywords:** education; rural area; Romania; school dropout; young people; development.

**JEL classification:** A21; I24.

## **1. Introduction**

The main aim of this article is to emphasize the importance of education among young people and people in Romania, especially from the rural area, which are confronting with a higher poverty rate and specific needs of labor markets. This aspect is in line with the European strategy for 2020 horizon (Europe 2020) that established specific targets to attain for each European Union (EU) Member States (MS), including Romania (European Commission, 2010), namely an increase of educational attainment and reduced school dropout. This issue is more pronounced in rural areas, since people, due to certain shortcomings, have lost important stages of their development.

This paper is structured in 5 sections, namely: after the first section of introduction part, the second section deals with underlining the importance of education among young people in Romania. The third section gives the background of the poor reach of young people from rural areas to education, the fourth ones points out main statistics of school dropout and concludes with main solutions for encouraging the education in rural area.

## **2. Education, a central condition in the progress of young people and the economy**

One of the essential components for a person's personality evolution and existence in society is education. This is a lifelong learning process, it never ends, but on the contrary it prolongs its purpose throughout our life.

The connection between education and society is extremely important, especially by its favorable influence upon economic development (Drăcea et al., 2010; Mikušová Meričková, 2017).

In this sense, the importance of education lies in its right to achieve a goal, namely the development, evolution, training of citizens within society. Education begins in the first years of life and continues throughout life, starting from the family level, the framework in which we are born and mature, and later in a more formal, institutional setting at school.

The school nowadays is no longer a grim environment based only on rules and norms, it has become an open-minded, system in which there are communication, understanding and patience. Therefore, the teacher occupies an essential role for pupils' evolution, especially if we relate to the rural environment in our country. The teacher is that person who shows students the necessary characteristics needed for developed and educated citizens. The school can lead to the formation of young people in accordance with the requirements of a civilized society.

Thus, the role of education for the economy is paramount because it is an important part in "the formation and development of people's skills and competences" (European Commission, 2016). In this regard, if we are consider a society that is multilevel developed (economically, socially, politically and culturally), it is necessary to talk about developed citizens because the stage of Romania's economic development depends on the stage of development and education of the citizens (Drăcea and Cristea, 2009).

### **3. Poor access of rural youth to education**

In rural areas, education has become a sensitive field, because, mostly, young people with financial support are able to attend to a form of education or training. There is often discussed about similar education to that of the developed countries, but without taking into account the fact that in rural areas there are limited factors of it, and to find proper solutions in order to avoid them, it would be hard to attain the targets of Europe 2020 in the field of education, namely "early leavers from education and training" (set at the level of 11.3% for Romania, registering 18.1% in 2017), and "tertiary educational attainment, age group 30-34" (the target for Romania is 26.7%, being 26.3% in 2017) (European Commission, 2018).

One of the major problems is that, of the closure of schools that were not working or with a very small number of children.

The poverty existing in rural environment, especially is a central issue that prevents rural students from gaining access to knowledge and education through the school. It is difficult to persuade rural people with a lot of existential problems about the importance of education. This is unimaginable, unrealistic for people in these areas who have ceased to dream of a country that could be saved with education.

Thus, the rural environment has become the center of precarious education, a major compromise education with decent survival norms and consistent formulas of teaching-learning.

### **4. School abandonment: statistics and solutions**

School abandonment represents a problem at the European level, such as the entire EU faces the early school leaving, so that, according to Europe 2020 Strategy, "the targets are to reduce the early leavers from education and training at less than 10% of the population aged 18 – 24" (Noja and Cristea, 2018: 722; Son and Carica, 2010).

School abandonment is an effect of the lack of education of young people in Romania, which in the last years was decreasing from 22.9% in 2000, at 18.1% in 2017 (European Commission, 2018). Still, Romania is far from the target set through Europe 2020 strategy (of 11.3%). Although we are talking about children's right to a better education, Romania is among the first countries with the highest value in school drop-out (second position among EU MS after Spain in 2017, which registered 18.3% early leavers' rate) (European Commission, 2018)..

However, the causes are very diverse, namely the low degree of attractiveness of what is called the traditional education. Most of the young people embrace the opinion that, today, they no longer need to study or work, being included in so called indicator "Not in Education, Employment, or Training" (NEET). However, in the EU, the underlying cause of school drop-out is poverty and the existence of an unfavorable environment for a better evolution of children.

It is very worrying that school drop-out in our country is on the highest level in EU. A significant percentage of these young people do not want to enter the labor market after abandoning their studies (NEETs segment of population).

Thus, a country where school dropout and lack of education are at the highest level can-not raise the economic development. In this respect, about it is necessary the major involving of the state in helping these young people, and saving their future through certain scholarships, by ensuring accommodation at a boarding school, by providing meals and other activities support. These facilities could be very useful, because the young people in this situation come from families facing the poverty problem.

I can say that, Romania can gain a major aspect -only by finding solutions to solve these conditions, education being very important in this development process.

## 5. Conclusions

Education in human life is very important because it develops many pragmatic aspects of our life, as skills and competencies adapted to labor market. Education, by definition, is a social phenomenon that presents the transmission of existential data and experiences, the links between culture and society. It helps to develop people' style, it contributes to the lifelong learning, to formation of a goal and fulfilment, of citizen in the society. An educated person will know how to cope with life, behave in society so as to contribute for the economy development.

In nutshell, education is very important for the society's development, because a society in which members have deficiencies in education is one with basic lacks of primary education.

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## INNOVATION AS PART OF EUROPEAN DEVELOPMENT

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**Abstract:** *The importance and the long term added value of innovation are vital to the success and maturing of each region, country and union. The purpose of this paper is to present several topics related to innovation and to assess the differences, if any, between different European regions as regards their innovation output. It is worth stating the obvious: not all innovation is equally important and not all translates into economic and social wellbeing. Even so, a constant flow of research output is vital for the general socio-economic enhancement. The overall efforts are concentrated in the following areas: renewable energy, education, fin-tech, bio-tech and security. How can regions tap and increase their innovative and creative output are elements that shall be dealt with through this paper.*

**Key words:** innovation; regional development; knowledge; open source.

**JEL classification:** O00; O30; O31.

### 1. Current regional state of affairs

According to a study proposed by the European commission in 2016, just by allocating a 3 percent sum of the total European Union GDP towards research programs would potentially lead to the creation of around 3.7 million jobs by 2020; this in turn would lead to the advent of the so called Innovation Union. According to the 2016 Innobarometer, in all member states, not considering Lithuania, companies “are more likely to say their innovations represent between 1 and 25% in their 2015 turnover” (European Commission, 2016). Even so, given uneven development across European regions and migration trends, no matter if funds shall be allocated towards Eastern parts of Europe, a high percentage of the aforementioned jobs would be located in already economically sound regions. As regards the European Union (EU), one key goal is to have member states pledge 3 percent of their Gross Domestic Product (GDP) towards Research and development. According to a 2016 study by Eurostat, the total spending on research activities as part of GDP was of 2.337 percent; Romania ranks amongst the lowest (second last) with a total research spending of 0.48 percent of GDP (Eurostat, 2016). In the same time, Romania ranks 50<sup>th</sup> at world level as regards its country score for innovation as per 2018 Global Innovation Index. What is more, this study proves that innovation is not influenced by the population size of a country. Not only this, but the aforementioned study arrives at the following conclusion: major regional imbalances as regards innovation and research activities will persist (Cornell University, INSEAD, and WIPO, 2018). Romania should thus not be affected, innovation wise, by the massive migration of its population in recent years. It would be interesting to develop a way in which to approximate the potential innovative outputs per a particular number of individuals (an innovation output scoreboard per 1000 individuals) so as to find out in rough numbers: innovation potential for a country given the current population together with its geographic distribution and how much a country

has to lose, innovation wise, with each 1000 individuals that decide to leave the country. Such a model or system will shed some light as to which groups are accountable for the general innovation-wellbeing of a particular region. This would be a direct continuation of the diffusion of innovation theory developed in 1962 by E.M. Rogers (2003). But, if it does not benefit someone, does innovation still matter? Thus, the dissemination capacity of any given form of innovation is essential, not only for firm survival or national growth, but for future innovation development. The Oxford Handbook of Innovation proposes that any given innovation system be divided into regional, sector-based and ultimately, national (Fagerberg, et al., 2005) (Cadar and Badulescu, 2015). As regards this way of disseminating of innovation, the actual way that it is being done can be divided into two: top down or vice versa. It would be tempting for regions to await aid coming from central government, in order to promote, increase or develop innovation, but as research shows, a bottom-top approach would be more suitable for a sustainable regional development, and will evidently lead to increased competition, together with added layers of innovation output.

Even though the innovative output has increased on average by 5.8 percent since 2010, the greatest decreases as regards the innovative footprint are found in Romania and Cyprus, thus making these two countries as the most modest innovators. Unsurprisingly, the strongest performers are the northern and western countries (European Commission, 2018), this of course given their economic performance and political stability. Albeit some companies might find it counterintuitive, it is of the utmost importance not to substantially reduce funding headed towards innovation in times of economic downturn; this idea holds water especially given the research conducted by Archibugi et al. (2013). In the current economic climate, a combination of hauling or pulling of needs and innovation and research push are a must in any society.

## **2. Research review**

Even though it has been embraced to a certain extent by western companies, using the collective minds of individuals and using an open source model in order to at least tap a company's innovative potential is an endeavor not yet adopted by eastern companies. Another aspect that must be taken into consideration is the following: should intellectual property rights allow replication/duplication of the original idea? Forms of "open source" partnership between companies, through the embrace of "co-working" spaces, regional hubs, and collective wisdom/knowledge are ever more so growing in the eastern part of Europe (Schiafone, 2009); in recent years, it has sped up, but it still has a long way to go if it wants to catch to its western European counterpart. Ideas promoted by Chesbrough and Vanhaverbeke, that universities should play a key part in promoting open forms of innovation and collaboration (Chesbrough & Vanhaverbeke, 2011) are ever more so necessary in today's society. Such networks (hubs, co-working spaces) are vital for the creation of smart cities, for the captivating and engaging of creative types of individuals. The creation of technology or research parks represents the timely application and logical continuation of their ideas.

As mentioned previously, the creation of different types of networks is essential when enhancing innovation capabilities. Several such types exist, but most widespread are the types proposed by Tidd, Bessant and Pavitt; according to them 7 types of innovation networks exist, namely: "new process development consortium, sectoral forum, new technology development consortium, emerging standards, supply chain learning, and cluster and topic network" (Tidd, et al., 2005). The names of the types are irrelevant, but as pointed out by Tidd, Bessant and Pavitt, what matters is the

potential of such forms of organizing innovation activities through which all aspects of the business and human life are positively affected.

Before going, it is important to ask the following question: can two contradictory systems complete one another and coexist? There is an abundance of evidence of companies that resourcefully manage to combine the notions of creative destruction and accumulation (Schumpeter, 1911). I am not referring only to start-ups, but rather, to fully developed companies. Thus, appropriate sources of financing are of great importance. European financed subsidies, research grants, the stock market, or loans are methods tested time and time again. Even so, improvements can be made. Open source or collaborative investments from the general population are a viable alternative. In the same time, the creation of nation wide sovereign wealth funds across member states is also a viable alternative (Anthopoulos, et al., 2016). Not only do such studies point out to the transparency of such systems, but also to their overall increased performance (increased yield as compared to other investment types). Equally important to financing, and as demonstrated by many prodigious economists, is the proper application of specialization to the concept of innovation. Time has proven the idea proposed by Adam Smith that specialization will contribute greatly to the increase of output (Cannan, 2000); this elegant idea can and should evidently apply to innovation and research. Only by an in-depth knowledge of a particular subject, can its limitations be overthrown and advancements to be made.

Innovation has many facets or dimensions. There are of course countries that score well on all innovation related dimensions, namely “human resources, attractive research systems, innovation friendly environment, finance and support, firm investments, innovators, linkages, intellectual assets, employment and sales impacts” (European Commission, 2018). As previously mentioned, finance sources coming from western companies and directed towards eastern regions are a way through which costs can be lowered and innovation fostered at higher pace. Of course, this is not the only way through which the innovation score of countries can increase. I do consider that a “one hat fits all” type of approach should not be deployed. Given various differences (geography, population, culture, economy, education, politics, etc.) between countries and between different regions of countries, one important assignment faced by regulators (such as the EU) would be the creation of specialized commissions tasked with the future development of these regions. In this particular instance, nations will have to give up some of their own national authority, but in my opinion, this will be a small price to be paid.

### **3. Conclusion**

As has been mentioned throughout the paper, in terms of innovation, countries from the European Union are different in terms of innovation output, research and financial capabilities. It has been shown that general population size of these countries does not represent a critical factor for their creative and innovative footprint. Innovation development should be a focal point for all economic actors, be them private or public. Investing in innovation is only one side of the coin. Adaption to market conditions, hence adaption and velocity of adaption to external innovation represent the other side of the same coin. Creating a knowledge based sustainable economy should be the ultimate venture, the promotion and creation of research parks is vital for developing a knowledge based economy. Not only that, but it has been proven that the sharing of knowledge benefits all. Innovation does have trickle-down possibilities, meaning that if innovation is adopted in a particular region, it will have a spillover effect on neighboring

regions. I firmly believe that innovation and creativity do not just happen, but rather, that they can be managed as a process and thus, be improved.

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## URBAN TOURISM IN ORADEA

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**Abstract:** *Beyond their social, economic and administrative functions, the cities of Romania express plastic the evolution of the Romanian architecture. In this sense, the historical evolution of the Romanian historical provinces led to the appearance of some differences in the appearance and the value of the present tourist objectives, in the main Romanian cities. Thus, in their architecture appear elements of oriental art, Muslim, Byzantine, Hungarian and German Gothic, Renaissance as well as the presence of the German and French Baroque. These currents have intertwined and have assimilated elements of Romanian traditional art. Many of the old buildings in the main cities have become the headquarters of some cultural, administrative, public, commercial institutions or simple housing. In some situations, the concentration of several monuments and old buildings in the territory has led to the emergence of valuable urban areas. These built-up areas (streets, districts, town centers or localities in all) are specific values for a certain era and a certain cultural space. An analysis of Romania's cultural and historical potential, demonstrates the existence of a valuable patrimony with special cultural valences in the formation of the tourist circulation in the traditional urban centers. On this line, the prehistoric archaeological vestiges, the vestiges of antiquity of great value for the history of the Romanian people's civilization, the vestiges of the cities of Oradea, Alba-Iulia, Arad, Timișoara are particularly appreciated, as well as a number of museums and memorial houses of national importance located in famous urban centers. This paper aims to outline the main aspects of urban tourism in Oradea, its potential in the development of tourism.*

**Keywords:** tourist, attractions, history, architecture, urban ensemble, evolution

**JEL classification:** L83, Z31

### 1. Introduction

Oradea is 12 km south-east of the border with Hungary, is also the residence of Bihor County, but also the largest city in the county in terms of surface area and number of inhabitants. Oradea is a very important nodal point in regional and international tourism due to its geographical location: on the border with Hungary; aligns to the future Bucharest-Oradea-Budapest highway; is the second most developed city in the North-West region after Cluj-Napoca. The city is only 12 km away from Băile-Felix, the largest permanent balneoclimateric spa resort in Romania. At the same time, there are a lot of other tourist attractions on the territory of Bihor County: the karst formations in the Apuseni Mountains, the spectacular valleys of the rivers that cross the county, the customs and traditions of its entirety, the multitude of peasant architectural survivors, as well as other natural and anthropic attractions. The tourist potential of Oradea is given not only by its general position, but also by its history and architecture, as well as by the location of its monuments in the city. Besides all the above, Oradea is the only

city in Romania that is part of the Art Nouveau network, together with Barcelona, Nancy, Vienna or Budapest.

## 2. The most important tourist attractions

At the city of Oradea there are many tourist attractions that can be visited, it is known locally and nationally through the diversity of:

- monuments, museums, memorial houses,
- architectural buildings,
- sacred and religious sites,
- government buildings.

Considered by art history specialists as a true "*architectural reserve*", the town on the banks of Crișul Repede, Oradea hosts not less than 77 monument buildings officially registered in the National Historical Monuments Commission lists. From the point of view of the cultural heritage of the area, in Oradea were delimited two areas of interest: The urban ensemble "*Historical Center Oradea*" and Oradea II Urban Ensemble. Taking into account the two main areas, we will synthesize in figure 1 the main tourist objectives:

**Figure 1:** Main tourist objectives in Oradea

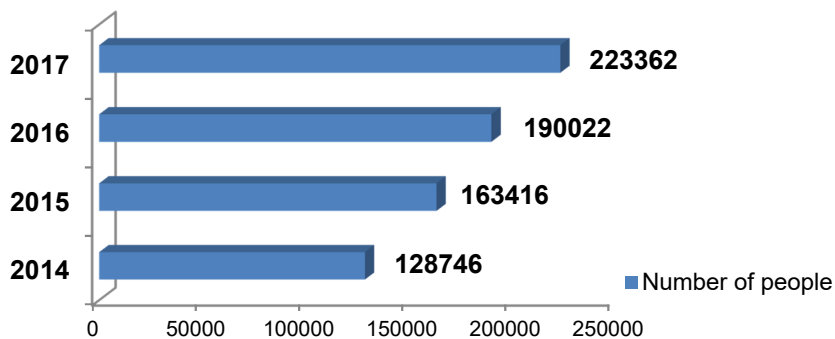
<b>Museums</b>	<b>Architectural buildings</b>	<b>Sacred and religious sites</b>	<b>Government buildings</b>
Iosif Vulcan memorial museum, Ady Endre memorial museum, The Eparchial Center Oradea museum, The reformed episcopal museum, The military museum	Oradea fortress, Black Hawk, Oradea State Theater, Palace of Greek-Catholic Bishopric, The Baroque palace, Ullman Palace, Apollo Palace, Stern Palace, Moskovits Palace, Fuchsl Palace, Darvas la Roche House, Poyнар House	Moon church, The Roman-Catholic Cathedral, The Roman Catholic basilica, The neologue synagogue, The Orthodox synagogue, The Holy Cross Monastery	Oradea city hall, The palace of finance, The palace of the poles, Palace of Justice

Source: own elaboration based on Oradea Travel data, <http://oradea.travel/en/?cat=21>.

## 3. Statistical data

Thanks to the rehabilitated buildings, the beauties here and the huge investments that have been made, Oradea attracts more and more tourists. The transformation of the city is visible, especially the center that has changed its appearance. Thus we can say that Oradea has become a tourist town, where urban tourism is practiced.

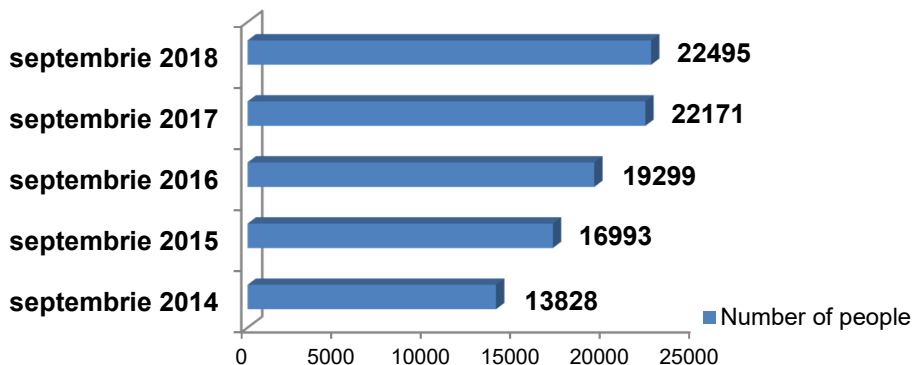
As can be seen in figure 2, the number of tourists arriving in Oradea accommodation structures recorded a linear increase from 2014 to 2017. For a more eloquent illustration of the linear growth I chose to present the data on the month (september) as can be seen in figure 3.



**Figure 2:** Arrivals of tourists in tourist accommodation structures

Source: author representation using insse data, <http://statistici.insse.ro:8077/tempo-online/#/pages/tables/insse-table>, 2018

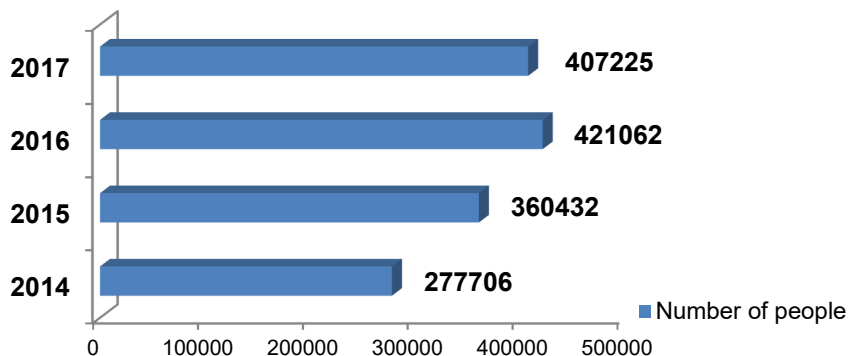
**Figure 3:** Arrivals of tourists in tourist accommodation structures/month



Source: author representation using insse data, <http://statistici.insse.ro:8077/tempo-online/#/pages/tables/insse-table>, 2018

Regarding the number of overnight stays in tourist accommodation structures in Oradea, there was a doubling of them from 2014 to 2017 as can be seen in figure 4.

**Figure 4:** Overnight stays in tourist accommodation structures



Source: author representation using insse data, <http://statistici.insse.ro:8077/tempo-online/#/pages/tables/insse-table>, 2018

#### 4. Conclusion

Tourism is a factor in the development of urban planning. As has been shown, many of the cities have an important tourism potential, which is reflected directly in the development of the tourist function at urban level. Thus, tourism contributes to the increase of the attractiveness of the cities through the planning policy, but also the evolution of the cities, their extension, contributes decisively to the increase of the tourist trips, the urban destinations becoming more and more attractive as the tourist phenomenon gets bigger.

This evolution led to the shaping and affirmation of cities as a motivation for traveling in context of expanding their functions. On this basis, Oradea has shaped itself as a tourist town with a identity clearly defined according to the universal cultural heritage.

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## **COST-BENEFIT ANALYSIS OF THE CHURCH IMPLICATION IN SOCIAL ECONOMY**

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**Abstract:** *The social economy falls into place in Romania as well, as more and more "actors" are interested in this field. The Romanian orthodox church finds itself among these by finding a specific "purpose" within this activity. The present paper performs a cost-benefit analysis of the church implication in the social economy by identifying multiple, mostly non-monetary, benefits for the church and for the society. The cost-benefit analysis reflects the fact that the activity of a social economy enterprise can be efficient and profitable as long as it is incorporated under solid economic principles, as long as it identifies outlets for the supplied goods and services and as long as it provides quality goods and services that are comparable to the ones produced within the liberal economy - in other words, as long as it provides for competitiveness.*

**Keywords:** social economy, orthodox church, cost-benefit analysis

**JEL classification:** J46, J80

### **1.Introduction. Religion and economy**

Within the public conscience, the church's role is mostly spiritual, without being related to the economic life. In fact, down the ages, the church has assumed a multitude of roles alongside with the spiritual one: cultural, moral, educational, but also civic, uplifting the people's standard of living. As a matter of fact, ecclesiastic books highlight the latter role as well: "I have come that they may have life, and have it to the full" (John 10:10). Likewise, the parables of the talents or minas reflect the accountability that the man, the community and the church have regarding the good enrichment of goods, respectively the repay for the good fulfilment of the work of each. In their turn, the Gospels' privileged theme is the compassion towards the ill, the poor, the needy.

The approach towards economy and religion is encountered yet in the XVIIIth century with Adam Smith, whom applies the principle "laissez-faire, laissez-passer" to the religious life, supporting the church separation from the state and a free and competitional religious market, similar to the economical one. In his turn, theologian John Wesley preached of the human implication in the economic activity by advising: "Gain all you can, Save all you can, Give all you can". However, at the end of his life, he realizes that the religion-economy relation is not unidirectional as, in its turn, economy influences the religious life to the meaning of faith diminution and decrease of religious participation, in parallel to the growth of welfare and economic progress, reason for which he supports the need for use of gains for humanitarian purposes (Bălan, ). The bidirectional relation between economy and religion is also analysed by Laurence R. Iannaccone (1998, Introduction to the Economics of Religion), Rachel M. McCleary and Robert J. Barro (2006, Religion and Economy).

What seems to be a linking element between economy and religion is the morals, preached by religion and partially lost by economy. The economic personalism was

built on this ground as a synthesis between the economic theory and the catholic theology, the founder of which was Karol Wojtyla, former Pope John Paul the 2nd. This theory advocates for the implication of the person in all social life spheres in the view of social self-achievement and social integration of all persons, respectively the internalization of moral values in the economic activity.

When discussing Christianity, there is no unitary vision on the church implication in economy.

By means of Pope Leon the 13th, Catholicism formulates in 1891 the social doctrine of the church entitled "Rerum Novarum", by which it supports the catholic church's need to involve in social and economic issues such as: the labour issue (conflicts between labour and capital), the legitimacy of private property, the workers' right to a fair wage and affiliation.

Orthodoxy, impressed by slavophilia, was "doomed to look back, to condemn rationale in the name of affection, law..., in the name of love, capitalism in the name of rural community, ...up-to-datedness in the name of traditionalism (Ică, Marani, 2002, p38). Alongside history, the orthodox church had to adapt to the communist regime, and after 1989, to become up-to-date by adding to the pastoral speech a social-economic dimension as well, yet without such having priority. To this meaning, patriarchist Daniel states that: "Jesus Christ the Redeemer first preached the Gospel to the crowds..., then healed the ill and only in the evening made the miracle of the five loaves and two fish" (apud Ignat, 2013).

The relation between religion and economy approached by both economists and theologians, is seen differently. While Weber (1958) regards the protestant ethics as regenerating the capitalist spirit, Tomes Nigel (1985) claims that "economics is fundamentally atheistic. Religious beliefs, practices, and behaviour play no role in the life of homo economicus". The two opposite stands are counter-balanced by theories that consider that the cohabitation of religion and economy is possible (Dean, Fornaciari, McGee, 2003).

An interesting thesis is the Eisenstadt's thesis (1968), which replaces the causality relation between Protestantism and capitalism with the idea of the transformative potential of religions, of their capacity to redefine political and social institutions, to reformulate the economical roles or to generate attitudes that are favourable to the economic growth.

Another research within the Romanian area prioritizes religions depending on the encouragement and facilitation of the economic performance as follows: Judaism, Protestantism (Calvinism, Lutheranism), Catholicism, Orthodoxy, Islamism (Sunnis, Shi'a), Confucianism and Buddhism (Fudulu, 2010).

By understanding its mission, the church gets involved nowadays in social economy activities that enable it to support the employment of disadvantaged people and implicitly the increase of their standard of living. The church's choice towards social economy activities is in consensus with its ideology. Thus, unlike the liberal economy, which is mostly competitive, yet being of the type "bellum omnia contra omnes" (Th. Hobbes), social economy's highlights are on cooperation, aid, which are moral Christian values as well.

## **2. Cost-benefit analysis of church implication in social economy. Case study for a mediation social enterprise on the labour market for disadvantaged people with entrepreneurship provided by the church**

Religions' economic theory tends to adopt and apply, within the religion study, models of analysis that are specific to economy: the model of rational choice, the theory of

public choice, the theory of games and, not least, the cost-benefit analysis (the latter mostly to assess the non-economic costs and benefits of certain activities).

For the purpose of estimating the opportunity of an activity, of a policy or of a project, the cost-benefit analysis method may successfully be used, as it consists of referencing potential gains to the costs assumed by the activity.

The application methodology of this method implies, for each identified alternative, the quantification of costs and benefits, their comparison, the assessment of risks and the decision-making regarding the implementation of an alternative. If, in the case of economic costs/ benefits, there is the possibility to highlight them in terms of value, in the case of non-economic costs/ benefits, they cannot be quantified so easily.

As of church's implication in social economy, we can also discuss the economic and non-economic costs/ benefits.

Usually, social enterprises are microenterprises (from 0 to 9 employees and at least one of indicators "net annual turnover", respectively "total assets", is lower than the EUR 2 mil threshold, equivalent in RON) or, sometimes, small enterprises (between 10 and 49 employees and at least one of indicators "net annual turnover", respectively "total assets", frame into the EUR 10 mil threshold equivalent in RON). (Law no. 346/2004).

If we consider the case of a mediation services enterprise on the labour market for disadvantaged people (disabled persons, alcoholics, former prisoners, retired persons), this implies:

- incorporation expenditure (Articles of incorporation, name reservation, social capital, public notary fee for signature specimen) of approximately RON 1500;
- expenditure for the procurement of an office, be it by lease, purchase, construction (with the possibility to denominate offices for social enterprises by the public authorities) of approximately RON 12.000/ year (monthly rent of RON 1000);
- expenditure for equipment (furniture, 2 computers, 2 printers, labour market mediation software, 1 vehicle), of approximately RON 23.000 (depreciable in 10 years, annual depreciation value of RON 2.300);
- expenditure for utilities (water, power, heat, internet, telephone), approximately RON 6000/ year;
- wage expenditure (1 manager, 2 social assistants, 2 psychologists, at least two of them with motor impairment, respectively 40%<sup>2</sup>), approximately RON 240.000/ year;
- advertising expenditure, approximately RON 2400.

To such the non-economic costs are added, respectively the community's perception on church's deviation from its role of granting religious services, advertising injury of the church involved in non-spiritual activities and even the loss of certain parishioners.

As of income, such mainly results from:

- provided services (approximately 25% of the annual wage of the recruited person), an average of RON 3900 per person (RON 1300 net monthly wage \* 12 months \* 25%) if 5 persons are recruited in a month, the income for the 60 persons recruited on an annual basis will be of RON 234.000
- subsidies for employing disabled persons (RON 2250/ month/ person), RON 54.000 (only for the first year).
- facilities provided by the social economy law: gratuitousness for the issuing of the social mark and the registration with the social enterprise directory, free

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<sup>2</sup>Acc. to the social economy law, at least 30% of the employees must belong to vulnerable groups

counselling upon the incorporation and/ or development of business, granting of areas and/ or fields within the public field, support for the promotion of executed and/ or supplied products, provided services or executed works within the community, as well as for the identification of certain outlets of such, other facilities and tax exempts granted by the local public administration authorities (Social economy law, 2015). These facilities may decrease the costs by approximately 10%, respectively by RON 26.420, yet without having the certainty of achievement of such facilities (reason for which I will not give them a numeric value).

The non-economic benefits are added as well, respectively the decrease of poverty within parishioners, church appreciation in terms of the new assumed activities, gaining certain parishioners, moral value added to the economic activity, as well as providing the market with deficit goods (in this case, manpower).

## COSTS

Economic costs:

- C1 Expenditure for the incorporation of the social enterprise RON 1.500 (only for the first year)
  - C2 Expenditure for the procurement of spaces (lease) RON 12.000
  - C3 Expenditure for equipment RON 2.300
  - C4 Expenditure for manpower RON 240.000/ year
  - C5 Utilities RON 6000/ year
  - C6 Marketing RON 2400/ year
- Total:  $\sum (C1; C2; C3; C4; C5; C6) = \text{RON } 264.200$

Non-economic (social) costs

- CS1 Church's deviation from its role of granting religious services
- CS2 Advertising injury of the church involved in non-spiritual activities
- CS3 Loss of certain parishioners

## BENEFITS

Economic benefits

- B1 Income from provided services RON 234.000
  - B2 Subsidies for the employment of disabled persons RON 54.000 (only for the first year)
  - B3 Decrease of pressure on the social services system
- Total:  $\sum (B1; B2; B3) = \text{RON } 288.000$

Non-economic (social) benefits

- BS1 Decrease of poverty within parishioners
- BS2 Church appreciation in terms of the new assumed activities
- BS3 Gaining certain parishioners
- BS4 Moral value added to the economic activity
- BS5 Providing the market with deficit goods
- BS6 Satisfaction of provided work for persons within vulnerable groups
- BS7 Increase of occupational degree

It can be noticed that the income slightly exceeds the expenditure; the differences could be greater if the facilities provided by the Social economy law are to be used. Given that the vulnerable persons represent a significant source of manpower, it may be estimated that the activity of this organization may grow by offering, on one hand, new job positions, but, on the other hand, by intermediating job finding for vulnerable

persons and implicitly the increase of the standard of living and the decrease of the feeling of uselessness among such.

On the other hand, the non-economic benefits are multitudinous and more valuable I would say. The enrichment of the economic activity with moral values, the replacement of the feeling of uselessness with the satisfaction of work for vulnerable persons, the improvement of church image upon the involvement in economic activities that contribute to the growth of the parishioners' standard of living, the assumption of certain social beneficial activities by the contribution to the decrease of pressure on social services systems, the increase of occupational degree and market provision with deficit goods are equally desirable aspects for any economy.

### 3. Conclusions

The church reconsiders its attitude towards economy, and the social economy fully serves the humanitarian purposes and objectives of the church. Church's implication in economy brings advantages to both sides, both to the church and to the economic life, but mostly to the vulnerable persons whom, being framed into labour by the support of the church, may exploit their potential and provide for a better life by own means.

The church entrepreneurship may bring innovative ideas to the social economy space, given that the priest deeply knows the needs and possibilities, the existing opportunities within a parish. Moreover, the priest benefits from the power of his words during the religious service to empower the Christians to a successful enterprise.

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# ANALYSIS OF THE EFFICIENCY, EFFICACY AND ECONOMICS OF THE USE OF PUBLIC FINANCIAL RESOURCES BY APPLYING THE INTERNAL AUDIT

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**Abstract:** *The notion of performance is associated with an ideology of progress, effort and constant improvement. As far as public entities are concerned, their performance is more difficult to quantify than the performance of commercial companies. In order for the public sector not to face a budget deficit or an inadequate management style, the performance audit comes to its aid and recommends solutions to improve management, solutions to reduce inefficient spending, and the best resource efficiency.*

**Keywords:** Internal Public Audit; internal control; external audit; performance; efficiency; effectiveness; economics.

**JEL classification:** H11; H83.

## 1. General Introduction

The economic development of contemporary society tends to ensure a reliable economic climate for all user categories of financial information. At international level, increasing the performance of public entities, while minimizing budget spending, is one of the objectives of any state, but these are difficult to achieve and maintain in the context of a volatile and dynamic economic environment.

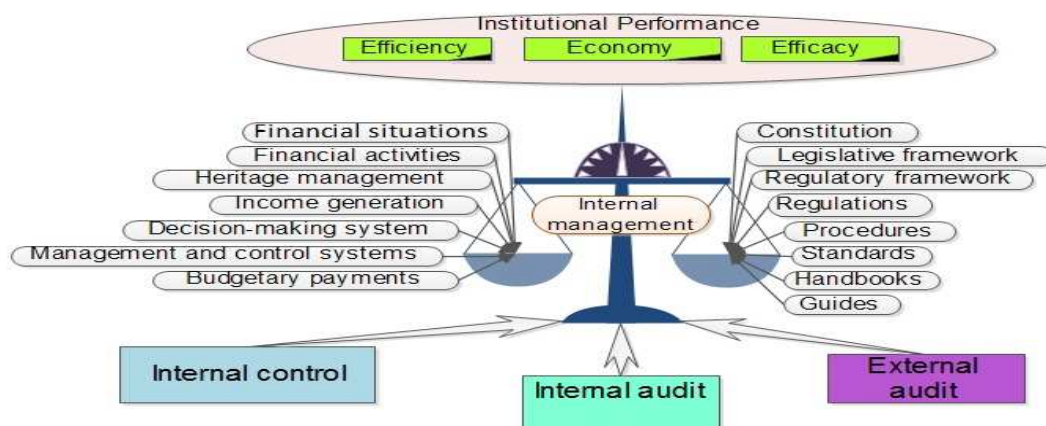
In view of this context, the quantity, but more importantly, the quality of information provided by public entities, to the various categories of users (Parliament, Government, investors, managers, employees, and general population) becomes an integral condition for achieving various objectives.

Therefore, the people involved in developing and supervising this information have a key role to play in ensuring the correctness of reflecting the economic truth in the financial statements. This activity becomes a prerequisite for ensuring fair, faithful, transparent and credible financial information, on the basis of which the best possible economic decisions can be made. Among those involved in achieving this, we find several professional categories: accountants, internal auditors, managers, financial analysts, and external auditors.

The primary objective of an entity in determining its performance is to evaluate how financial resources are used and how all the resources available are used. According to legislation, performance is determined on the basis of the following indicators:

- economy, concept consisting of minimizing the cost of resources used to achieve the expected results of an activity but maintaining the appropriate quality of results;
- effectiveness, concept consisting of the achievement of the objectives scheduled for each activity and the relationship between the projected effect and the result of the activity in question;
- efficiency, concept that consists in maximizing the results of an activity in relation to the resources used;

The control over the consistency between the content and the quality of the financial statements, on the one hand, and the requirements of the accounting reference system, on the other hand, is achieved by the entity's management through internal control and internal audit. At the entity level, the control system consists of internal audit, management control, financial control, hierarchical control, administrative control, intrinsically preventive financial control, and operational control of structural managers. At the top level, the activities are once again evaluated and supervised by the state's supreme audit institution (the Court of Accounts) through external auditors. A systematization of this particularly complex process, as well as the organizational structures that permanently and objectively evaluate the economic activity of the entity and the entire management system, can be seen in a synthesized form in the following picture.



**Figure 1:** Systematization of elements contributing to entity performance  
Source: Author's work

The previous picture attempts to capture the relationship between internal management, internal control systems, public internal audit, external audit, and how they work together and contribute to the performance of the public entity.

## 2. The contribution of internal audit to ensuring the performance of public entities

In the current context, in which the Romanian public entities are aligned with the European system, through the funding programs, it obliges them to constantly improve the resource management system.

Superior Internal Audit Structures have the ability to provide feedback through a high-accuracy risk treatment in line with new funding policies, ensuring a high level of confidence.

Thus, there was a need to assess the performance of an entity, activity, or program, aiming at determining how "public money" was spent. This assessment is done through the performance audit.

Internal public audit is a component of the public entity control system. The definition of internal public audit originates in "International Standards for Professional Practice of Internal Auditing" and "Code of Conduct", developed according to the "Internal Auditors' Institute" - IIA.

Law no. 672 of 2002 on Public Internal Audit defines public internal audit "*as an independent, objective, assurance and advisory activity designed to add value and improve the entity's activities; helps the public entity to meet its objectives through a systematic and methodical approach, assesses and improves the efficiency and effectiveness of risk management, control and governance processes*".

This paper aims to analyze the valences that are established between the entity's management system and the public internal audit, following indicators that define performance, such as ways to identify vulnerabilities.

According to some authors, performance shows the entity's ability to progress, due to constant efforts. The notion of performance is associated with an ideology of progress, effort and constant improvement. This is a dynamic approach, linking action to performance and behaviour, not only to a result (static vision). The notion of performance has an abstract character and its definition is often done by reference to the concepts: efficiency, effectiveness and economy.

When auditing the performance of the public entity and identifying its vulnerabilities, performance auditing most frequently addresses the following areas:

- Examining the performance of the means:
  - Purchase of fixed assets, inventory items and other equipment;
  - Investment works and construction or maintenance works;
  - Staff costs (salaries, training, prizes, travel, etc.);
  - Organization of the entity (organizational / hierarchical structure, workflow, implementation of programs, projects or actions);
- Examining achievement levels of the goals and objectives:
  - Degree of object, programs and activities achievement;
  - The results of the initiation and implementation of legislative measures (evaluation of the premises that led to the emergence of new laws and determination of the impact they caused);
  - The way in which the entity's management performs its duties with regard to the planning, implementation, control and evaluation of the programs and the activity it is responsible for.

Thus, in performance auditing, one must carry out the following procedures:

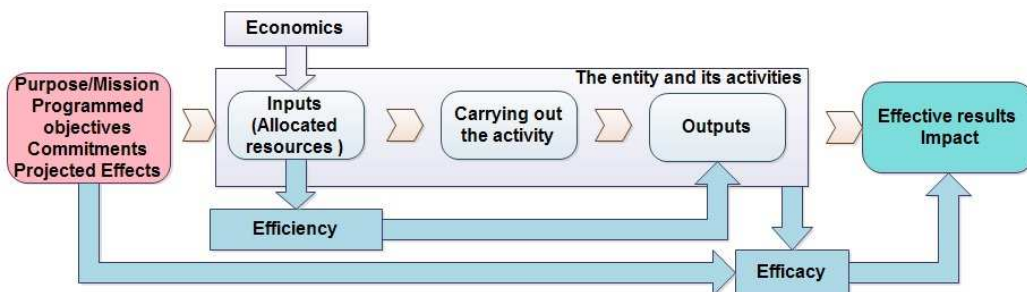
- Examine the entity's internal managerial control system;
- Evaluation of the decision by which the optimal option was chosen;
- Analyze how to manage a program or activity.

In general, the performance audit attempts to answer two basic questions, namely:

- Was it done correctly?
- Was what was needed done?

One means of illustrating the three concepts (economy, efficiency, effectiveness) and their interactions is the input / output model, taken from Standards and Guidelines for Performance Audit, based on INTOSAI Auditing Standards and on practical experience - ISSAI 3000, paragraph 1.4 presented in the figure below:





**Figure 2:** The input / output model of the 3E interactions  
 Source: Own representation based on ISSAI 3000, paragraph 1.4

As it results from the model, outputs are the result of inputs and actions taken to achieve the objectives. The performance audit should examine all components and their relationships.

In conclusion, as represented in Figure no. 2, performance auditing follows:

- Input economic audit;
- Effectiveness audit of the entity, program or activity;
- Audit of effectiveness on results and their effects.

Performance auditors should develop good and effective practices to ensure the quality of the audit. The quality management system must be well developed to ensure that the audit was conducted in accordance with the standards, legal framework requirements, and that the reports are appropriate, balanced, accurate and surplus value.

In a broader sense and to conclude the quality of the performance audit, it can be assessed by specific criteria, which include the following:

- Significant importance, relevance and objectivity;
- Trust, validity and consistency;
- Transparency, applicability and opportunity.

### 3. Conclusions:

Compared to other processes, activities and functions, to add value to an entity as a whole or to the audited activities, the internal audit has a dual responsibility to ensure and advise management to improve its activities and at the same time help the management to manage the risks properly.

Only through a rigorous and methodical approach to risks and objectives, as well as a continuous monitoring of the quality of activities carried out, and continuous quality monitoring activities, the internal audit could make relevant recommendations, so that the residual risks be lower than the allowable tolerance level.

Good performance audit reports add value to stakeholders and meet established goals. These contribute to better knowledge and highlight the necessary improvements. Audit reports are reader oriented, well-structured, and language is not ambiguous. The findings and conclusions are presented objectively and fairly, and the facts are presented and interpreted neutral. Different perspectives and points of view are presented, arguments and evidence are included, and reports are constructive, which means positive conclusions are presented.

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## FISCAL PRESSURE AND CORRUPTION. CASE STUDY

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**Abstract:** *The paper deals with the issue of fiscal pressure impact against the level of corruption for the Member States of the European Union during 2007-2017. The approaches made in the course of the work concern both the theoretical and practical aspects of fiscal pressure and corruption. The tax pressure variable being measured by the fiscal freedom indicator and for the corruption variable using the corruption perception index. The statistical technique used is the Pearson correlation, which maps the degree of linear association between the two variables. The results of the study demonstrate the positive relationship between fiscal pressure and corruption for the analysed period. A low level of fiscal pressure determines a low level of corruption.*

**Keywords:** fiscal pressure, tax freedom, corruption, European Union

**JEL classification:** C32, D73, K42

### 1. Introduction

The issue of fiscal pressure, its functioning and its consequences on corruption are undergoing a careful examination of many researchers in the literature. Some aspects, opinions and findings vary greatly, while in other research we find very similar conclusions.

This paper aims to analyse the relationship between tax pressure and corruption at the level of the 28 member countries in the European Union for the period 2007-2017.

The database used was obtained from open sources. For the level of fiscal pressure, was used the data provided by Heritage Foundation, fiscal pressure being measured using the fiscal freedom indicator. As the fiscal pressure is higher, the fiscal freedom is smaller. For the level of corruption, was used the corruption perception index provided by Transparency International.

The methodology used was the descriptive models, correlation coefficients, regression analysis and statistical tests for the verification of the results, and for the data processing the SPSS statistical program was used.

### 2. Literature review

The literature highlights the role of fiscal pressure on corruption by bribing civil servants from taxpayers or entrepreneurs in order to obtain some private gains such as circumventing taxation or winning public contracts. However, empirical research does not present conclusive results on the direct influence of fiscal pressure on the level of corruption. Dreher and Schneider (2010) conducted a study using two large data samples for the period 1994-2002. The results of the study have argued that the phenomenon of corruption is high in states with a small tax burden, which contradicts expectations. In Denmark (McGee, 2008) it was observed that tax evasion is perceived

as rarely encountered, even if the burden of taxation is among the highest in the world, so the very low level of corruption can be explained.

In another perspective, in Armenia, it was noted that although fiscal pressure is very small compared to other countries, the phenomenon of tax evasion is extremely high, which may explain the high level of corruption in this country. We consider that the two elements, fiscal pressure and corruption are related, but the positive or negative relationship depends on the economic, cultural, educational and economic context of the country.

Other studies have revealed a differentiated behavior of the different economic variables related to corruption, compared to the degree of economic development. It has been observed that some aspects of economic liberty inhibit the appearance of corruption, while others do not. A very important aspect is that the intensity of the relationship between economic freedom and different corruption between poor and rich states (Graeff and Mehkop, 2003).

Naturally, it is assumed that the level of corruption is increasing as a result of the increase in tax pressure, but a study for EU Member States highlighted a rather positive relationship between fiscal pressure and corruption, which means that a drop in fiscal pressure increases corruption (Achim, 2017).

### **3. Research Methodology**

Modeling the econometric relationship between fiscal pressure and corruption it was used the following indicators: i) for the independent variable, was used the data provided by Heritage Foundation, fiscal pressure being measured using the indicator of fiscal freedom. As the fiscal pressure is higher, the fiscal freedom is smaller; ii) for the dependent variable, was referred to Transparency International data on Corruption Perceptions Index (CPI). As a country has a higher position in the ICP top, the lower the level of corruption.

### **4. Modelling results**

Following the econometric modeling we obtained an acceptable correlation of the two variables at  $R^2 = 0.449$ , which means that 44.9% of the variation of corruption can be explained by the fluctuation in the level of tax liberalization among the countries in the sample for the analyzed period.

The correlation coefficient is -0.670, which shows that the two variables present an inverse or negative relationship. This can be explained by the fact that when fiscal freedom increases corruption is decreasing. Therefore, the level of corruption increases as a result of the increase in fiscal pressure.

We note that the estimated value for constant is 112.52 that has a sig. less than 0.5 of the risk threshold, which means that this constant is relevant in the model. On the other hand, and the estimation of the independent variable of fiscal freedom is statistically significant and relevant in the model because it has a sig below 0.5 percent.

The regression coefficient of the independent variable of the fiscal liberty in relation to the perceptible variable of the corruption perception index (CPI) is negative, amounting to -0,737 and significantly to a 1% threshold. What can be explained in this way, as a percentage point increase in the level of tax liberties, is a decrease of the level of corruption by 0,737 percentage points.

## 5. Conclusions

The results of the study highlight a moderate negative relationship between fiscal freedom and corruption. The two variables are inversely proportional to each other, with the greater the fiscal freedom, the more corruption is. By analogy, we can conclude that a level of reduced fiscal pressure determines a low level of corruption.

At the level of the European Union, following the above study, it is noted that fiscal freedom brings about a reduction in the phenomenon of corruption. But as can be seen in other similar studies, economic reality does not confirm this theory.

It can be easily seen that in countries such as Denmark and Sweden, which have a reduced fiscal freedom and a burden of high taxation, corruption is perceived as being very small. What can be explained otherwise than economically in these countries Taxation morality is reflected in the attitudes of individuals towards the payment of taxes, respectively the intrinsic motivation to comply.

Also, a high living standard or high financial satisfaction of individuals is considered another factor that determines better law compliance, and therefore incentives to pay for myths are reduced. Antithetics include countries such as Bulgaria and Romania, which have a fiscal policy that is blond, but which has a high degree of corruption. We consider that the individual rules, the attitude of the society of the subjects of law and their com- munity can be invoked as an important component in the understanding of compliance or non-compliance. Religious aspects and how they determine the values of a nation can be considered as causes for corruption.

It is important that policy makers know the causes of the corruption phenomenon in order to act much more effectively in the fight for the reduction of economic and financial criminality.

The present study is indicative and presents certain limits, as they have been used to establish the relationship between fiscal freedom 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 such as public governance, economic development, etc., would better outline the direct or indirect link between fiscal pressure on corruption.

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# UNIVERSITY AUTONOMY – FROM THE DEVELOPMENT TREND IN THE WORLD TO BE APPLIED IN VIETNAM

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**Abstract:** *Renovating the management mechanism of tertiary education institutions towards university autonomy is an urgent requirement and has become a trend of higher education in the world. It becomes more urgent than ever in the context of higher education reform in Vietnam. In the world, self-reliant model is seen as the advanced mode of university management to improve and higher the quality of training. In Vietnam, in recent years, the issue of university autonomy has resulted in positive changes. This paper presents some experiences in the trend of university autonomy in the world. Assess the practical implementation of university autonomy in Vietnam over time. The author proposes some solutions to improve efficiency and effectiveness in university autonomy in Vietnam.*

**Keywords:** University autonomy, financial autonomy, tuition, training programs, higher education, budget for higher education, mechanism autonomy.

## **JEL classification:**

### **1. Introduction**

University autonomy includes four main areas: organizational autonomy; financially independent; human autonomy; academic autonomy (EUA, 2013). In this context, financial autonomy is considered as important premises capable of finalizing all other autonomous contents. Financial autonomy allows schools to mobilize financial resources and maintain financial resources, ensuring the best academic enrollment, thereby developing academically in an innovative and responsive the demand of society, according to the strategy of each university..

In the world, there are many different interpretations of the concept of university autonomy. Depending on the perception of the role of the state in education in general, and higher education in particular. In European countries, university autonomy is viewed from two aspects: the exit from the control of state management agencies; and political influences. It is free to make decisions about how the organization operates and the target, mission of the school.

Autonomy can also be expressed at two levels: the university-state level, and between the university - the department. Autonomy can also be just the nature of the procedure, the form - the right to decide the means, the way to reach a predetermined goal. While recognized in many respects, university autonomy can still be generalized to the school's ability to function in the way that it chooses to achieve its mission and goals. According to Anderson & Johnson (1998), the components of college autonomy include:

- Human resource autonomy: With this autonomy, the school has the power to make decisions on issues related to recruitment conditions, salaries, the use of human

resources, the appointment and dismissal of positions in the academic area and administrative area.

- Autonomy in enrollment and student management. Autonomy to the organizational structure of the university.
- Autonomy in academic activities and educational programs such as teaching methods; The method of checking and evaluating students' learning outcomes; training content; curriculum materials.
- Autonomy in matters relating to administrative and financial management, management and use of budget, financial resources of the school.

## **2. Content**

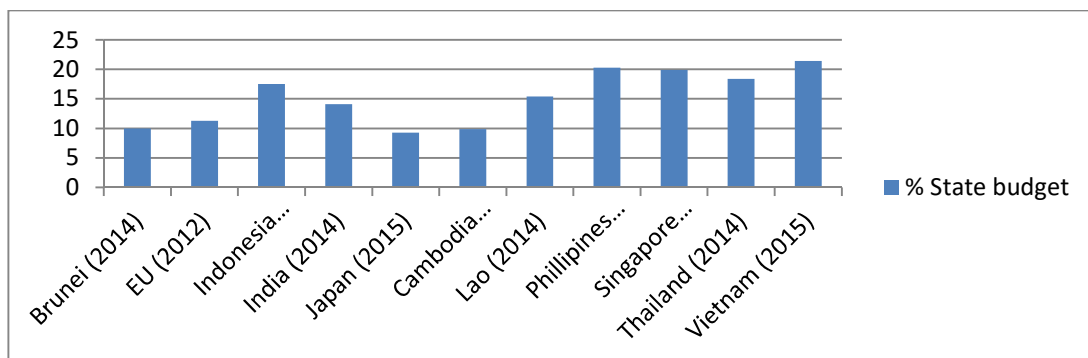
### **2.1 Autonomy university in the world**

In the world, university autonomy is an indispensable development trend. Studies on the models of university governance in the world often focus on the relationship between the state and the institution of higher education. This shows the degree of autonomy - expressed at the level of state control of the university. Countries are influenced by political institutions, history of formation, economic form, and social structure. Overview of the World Bank's recent governance trends in the world, covering four governance models with varying levels of autonomy, from the state-controlled model (as in Malaysia); Full autonomy model (in UK, Australia); to semi-autonomous models (as in France and New Zealand); semi-independent model (in Singapore). However, in the state-controlled model, universities still enjoy a certain level of autonomy. Because the state can not control all the activities of the university. Or in an independent model, the state controls the university system by means of state management tools.

Autonomy will create incentives for innovation in order to achieve greater efficiency in the operation, while also increasing the competitiveness of universities, facilitating the diversification of educational activities. Thus, the global trend is gradually shifted from a controlled state model to a higher degree of autonomy. For example, Japan grants legal autonomy to all universities with more power to the Rector and School Council. Singapore also passed a similar law granting autonomy to its three universities. Recently, the state of North Rhine-Westphalia, Germany has given its own decision to 33 universities in recruiting professors and training courses.

In addition to the different levels of university autonomy in different regions. In the same country, the degree of autonomy given to universities may also be very different depending on the size of the universities. In some developed countries in the world, there are still parallel universities granted absolute autonomy and schools are still subject to strict state control. And in many countries, universities may have different names depending on the size, type of training, and degree of autonomy for different universities.

**Figure 1:** Rate of investment for higher education in the state budget



Source: Word bank

## 2.2 University autonomy in Vietnam

After a period of implementation of the Education Renovation Strategy 2010-2020. Higher education in Vietnam has developed significantly in terms of scale and diversification of types and forms of training. Initially adjusting the organizational structure, improving the program, training process and mobilizing more social resources for higher education. The quality of higher education in some sectors, fields and institutions has made positive changes, step by step meeting the requirements of socio-economic development.

University autonomy in Vietnam is assessed on four main areas: autonomy in organization, financial autonomy, human autonomy and academic autonomy. This content is assessed on the basis of European standards (Source: European University Association (2013)) as follows:

### 2.2.1. Organizational autonomy is reflected in the following:

- Recruiting principals, defining criteria for recruiting principals. This content has not been assigned yet. Selection criteria and decision to recruit the principal are all decided by the Ministry of Education.
- Determine the term / dismissal of the principal. This activity shall be conducted for a term of five years and not more than two terms for principals under the general regulations of the Ministry of Education and Training.
- Selecting out-of-school members on the school board / School council . Has been given autonomy to universities.
- Decision on the organization of departments. Has been given autonomy to universities. The schools themselves organize the organization and then submit to the Ministry of Education for approval.
- Determining the cycle, criteria for appointment of professors and associate professors. This content has not given autonomy to universities. The appointment of professors and associate professors is carried out by the State Council.

### 2.2.2. Human resource autonomy is reflected in the following contents:

- Recruit qualified faculty and staff without outside interference. This content is given autonomy at the university level based on the job placement standard that the state enacted to recruit the positions of employment that one needs.
- Decide the criteria, selection process, dismissal of personnel. On the basis of job placement standards, universities will develop specific criteria and procedures for recruitment as well as dismissal.
- Determining the salary level according to the capacity of lecturers and staff. This criterion has not been given autonomously. Universities pay wages to employees on a



salary scale determined by the state. Criteria are based mainly on seniority and degree, not on performance.

- Determining criteria for salary increase and bonus. Universities are given autonomy in paying bonuses for faculty, have not been given autonomy in determining the pay rise criteria.

- Decide the criteria for promotion. University principals have been given autonomy in the appointment of dismissal of positions and positions in the school except for the vice principal.

### **2.2.3. Financial autonomy is reflected in the following:**

- Determine the tuition fee. This content has been given autonomy, the university itself decided the tuition fee. However, the state stipulates the tuition fees. Therefore universities have to limit their tuition fees.

- Pay the salary for lecturers according to the research and teaching achievements. This content has not been given autonomously. Salaries paid to lecturers are still based on the state-prescribed rank based on their seniority and professional qualifications.

- Universities have not yet been allocated a budget independent.

- To own real estate, financial assets.

- Borrowed to invest in the facility of the school but not invested in the financial market.

### **2.2.4. Autonomy of academics is reflected in the following:**

- Decide the number of students enrolled. Annually, based on the capacity of teaching universities to register enrollment quotas with the Ministry of Education and Training so as to be assigned official enrollment quotas.

- Decide on entry criteria. Universities are now given autonomy in determining their enrollment criteria.

- Open field. Universities have been given autonomy in opening up training majors. The opening of the training sector is subject to permission from the Ministry of Education and Training.

- Universities have been given autonomy in choosing the language of instruction.

- Universities have been given autonomy in choosing quality assurance mechanisms.

- Select the appropriate accreditation agency. At present, the autonomy is still in the selection of the appraising authority in, the appraisal out is still decided by the Ministry of Education and Training.

- Only 30% of compulsory subjects are required by the government. Universities selected 40% of subjects in the subject list issued by the Ministry of Education. The remaining 30% of the subjects are selected by the university and self-constructed. Not fully autonomous in the content of teaching.

## **2.3 Solutions to improve the efficiency and effectiveness of university autonomy in Vietnam**

To improve the efficiency and effectiveness of university autonomy in Vietnam. Government should continue to create more conditions, giving more autonomy to universities, specifically for each content as follows:

- With respect to organizational autonomy, universities are given autonomy in setting criteria and recruiting principals. For large universities, when the number of professors is sufficient, universities may set up commissions to recognize professors and associate professors.

- For the autonomy of personnel. Allow schools to be self-reliant in developing criteria for recruitment. Particularly self-reliant in paying salary for faculty members to assess

their working capacity and not be confined to the salary ceiling in order to attract talented lecturers and scientific researchers.

- For financial autonomy. Allows universities to be fully autonomous in determining tuition fees based on quality and training services. The state no longer sets the ceiling for tuition fees. The tuition fee is enough to cover the cost of training, which is currently only about \$ 180 per student per year. Allowing universities to conduct business or joint venture investments to create new sources of income for the university. It also allows them to make their own decisions without having to obtain permission from the Ministry of Education and Training. As of now, over \$ 25,000 in school expenses must be sought from the authorities. The allocation of funds instead of the equally distributed to the current school, the transition to the form of government orders.

- For academic autonomy. Allowing universities to be autonomous in open training sector basis on social needs and teaching capacity. Reduce the number of compulsory subjects to 20%, the remaining subjects by the university itself completely determine the content as well as teaching methods.

### **3. Conclusion**

In each country, the need for rapid and sustainable social and economic development not only on depends growth through investment in research and development, but also on the demand for high quality human resources as one of the pillars important. In order to have high quality human resources, there must be prestigious universities providing quality training. In the context of globalization and international integration, in order to maintain the operation, development and survival of higher education institutions, there should be a mechanism for effective management and use of financial resources. main. Accompanying with financial autonomy is the unifying autonomy in enrollment, organizational structure and personnel, autonomy in expertise and scientific research; draw up a proposal on university autonomy in mobilizing financial resources, allocating state budget, financial management, financial support for learners■

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# THE IMPACTS OF REMITTANCES TO SOUTHEAST ASIAN COUNTRIES (ASEAN)

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**Abstract:** Labor export and migration have become quite common nowadays, especially in the process of globalization. As a result of this activity, a large amount of remittances were transferred from developed countries to developing countries. According to the assessment, developing countries are affected by three main sources of capital: remittances, foreign direct investment (FDI) and official development assistance (ODA). This paper focuses on assessing and analyzing the effects of remittances on a number of Southeast Asian countries with high remittances. This includes assessing the impact of remittance on economic growth, monetary payment balance, poverty reduction, and employment. From there, proposals for effective use of remittances in economic development as well as in the development of social life, contributing to sustainable economic growth and social stability.

**Keywords:** remittance, international payment balance, economic growth, poverty reduction, investment

## JEL classification:

### 1. Introduction

South-East Asia comprises 10 member countries, which are considered as dynamic and potential economic regions in the world. Despite the close link between the members in the region, however, the level of development and size of their economies is quite different (between the country with Indonesia's largest GDP of \$ 1,005.268 billion The country with the smallest GDP of Brunei is 14.695 billion USD, approximately 68 times). With a total regional population of 650 million and a combined GDP of \$ 2.891,02 billion (Nominal GDP), the ASEAN community is playing an important role in the Asian economy as well on the world.

The migration and labor export process gives the country a significant amount of remittances, which are transferred annually to contribute to economic development, poverty reduction and social stability.

According to World Bank statistics 2017, worldwide remittances amounted to \$ 613-billion, up 7% from \$ 573 billion in 2016. Of the 15 countries with the largest remittances in the world, four are located in Southeast Asia region

Table 2: Top recipient countries of remittances (in billions of US dollars)

	National	2012	2013	2014	2015	2016	2017
1	India	66.82	69.97	70.97	72.20	62.70	69.00
2	China	57.99	59.49	61.49	63.90	61.00	64.00
3	Phillipines	24.61	26.67	27.90	29.80	29.90	30.00
4	Mexico	23.37	23.02	24.50	25.70	28.50	31.00

5	<i>Nigeria</i>	20.63	20.89	20.88	20.89	19.00	22.00
6	<i>Pakistan</i>	14.01	14.65	17.80	20.10	19.80	20.00
7	<i>Egypt</i>	19.24	17.83	19.83	20.40	16.60	20.00
8	<i>Vietnam</i>	10.00	11.00	11.80	12,30	13.40	14.00
9	<i>Bangladesh</i>	14.24	13.86	15.10	15.80	13.70	13.00

Nguồn: <https://en.wikipedia.org/wiki/Remittance>

## 2. Content

### 2.1 Assess the positive impact of remittances

- *Contributing to economic growth..* For developing countries other than domestic self-mobilized capital, in order to speed up their development, they often have to use external resources through capital: foreign direct investment (FDI) and Official development assistance (ODA). However, these two funds will be paid by developing countries in the future and will bear the interest of the investing countries (in the form of interest and return on investments). In that context, overseas remittances are the capital gains from foreign countries that bring benefits to countries receiving remittances..

Firstly, receiving countries will not have to pay the capital invested by remittances, secondly, they will not have to pay interest on the use of such funds. With a share of 9.04% of GDP in the Philippines and 5.79% of Vietnam's GDP, it is easy to see that the contribution of remittances to their economic growth is not small.

- *Helping to alleviate hunger and reduce poverty, creating more jobs for laborers.* This capital flows directly into the residential area, thus promoting private investment. Set up jobs. Increase the income of remittance recipients and the beneficiaries of remittances. Remittances are the direct income of the majority of workers in developing countries, poor and hungry, so it has the potential to help families escape poverty. A study has shown that developing countries in the Asia Pacific region, if remittances increase by 10%, would reduce poverty by 2.8% (Ravallion and Chen, 1997). With research applied to low- and middle-income developing countries in Southeast Asia, 10% of migrants are expected to reduce by 1.9% Imports are less than \$ 1 a day (Adams, 2005).

- *Contribution to international balance of payments.* Remittances have the effect of supporting the national balance of payments. Over the past years, developing countries in Southeast Asia have faced import surpluses to meet the demand of importing machinery and equipment for production and business. Even import goods for domestic demand. Therefore, these countries need large amounts of foreign currency to pay for the goods they have imported. However, due to the source of remittances poured into the country on an increase. Should have significantly reduced the demand for foreign currency to meet the trade deficit.

- *Improve production capacity and change the thinking of employees.* In addition to the rather high income in the foreign country, overseas laborers have the opportunity to access new production methods, capital accumulation, vocational training, experience, work skills. and labor discipline when returning to the country. These are considered important factors to change the production force in the country. With the source of overseas remittances attracted to the country. Helping the country to get remittances moving from a labor-based economic development strategy to a capital-based economic development capital.

- *Remittance contributes positively to the development of the financial market.* Remittances contribute to the increase in national savings, calculated by the amount of

money left unused for consumption purposes by those receiving remittance flows. Savings from overseas remittances. Can be used for direct investment activities. Be deposited in foreign currency or currency into banks or other financial institutions, and part may be stored in cash or in gold. In addition to remittances used for direct investment. Remittances are sent to financial institutions. After that, they will be provided with loans for investment in economic development.

## **2.2. Evaluate the negative impact of remittances**

- *Remittances can create lag in economic growth.* Remittances have become a regular and stable source of income for some households receiving remittances. The problem is how to use this money. Chammi et al. (2003) show the paradox of receiving remittances. If remittances are used properly, the economy will grow. If the remittance source is used to waste for luxury goods, such as home, cars, enjoy. This means that money is not invested. This leads to an undeveloped economy. But after offsetting the needs that households have not had for a long time. These households will reduce or no longer need to use remittances for those services but gradually transfer the amount of remittances into the production process of the economy. So it can be said that it creates a certain lag in economic growth.

- *Remittances may cause instability to the international balance of payments.* At the macro level, remittances are a source of money to offset the deficit balance. These Southeast Asian countries can maintain a poise of international balance of payments. If they maintain the flow of remittances flows into stability. When remittances flow less or stops, it leads to not poise balances. The country must rely mainly on foreign investment capital and loans from foreign credit institutions or other international organizations. The international balance of payments, which is heavily dependent on remittances, is the cause of the international balance of payments crisis that has triggered economic recession in many developing countries, including Southeast Asian nations. .

- *Remittances can create virtual demand and unbalance supply and demand.* State-owned banks can not fully control the foreign exchange market. In addition, remittances poured into countries mostly in households, consumption also increased aggregate demand, which may have contributed to the imbalance of supply and demand, causing inflation to occur.

- *Remittances can have a negative impact on financial markets.* Specifically, the source of remittances to other countries. It is also the pressure to increase the total means of payment. Increased net foreign asset inflows (NFA), making it difficult for state-owned banks to control the currency.

- *The remittance easily exacerbates dollarization of the economy.* On the other hand, sources of remittances through informal channels will not be fully absorbed into the banking system, leading to part of the remittances sold on the black market, exacerbating dollarization in the economy.

## **2.3. Proposing some solutions to effectively use remittances**

Remittances are an important source of foreign exchange for developing countries, including the countries of Southeast Asia. Each factor in the economy has positive and negative effects. Each country, depending on its conditions, has a legal framework to control remittances, preventing negative impacts on the economy.

### **a. Mechanisms and policies for remittance flows**

In fact, remittances flow into the countries through many roads. Countries that have applied the remittance method for overseas remittance, but do not seem to be

effective. The only way to control remittances is to make sure that capital flows are flowed through the official remittance route. To do this, the official remittance channel must be more attractive than other remittance channels, and the government must take measures to ensure the security of the assets, the source of the money flow.

In addition, tight control of informal money transfers. At present, there are many forms of informal money transfer. As simple as overseas students, small importers and workers are overseas, they often do not go through the banking system, but move the two ends of the sender and the recipient in two different countries. local currency and foreign currency. These people usually transfer money and use the black market exchange rate to convert. As a rule, the exchange rate of foreign currency through the banking system is higher than the black market rate.

#### ***b. For policies related to the use of remittances***

In addition to limiting transfers of remittances through informal money transfers. There should be a policy of encouraging overseas remittance through the formal money transfers. And if the government want remittance flows become capital inflows, the remittance recipients themselves must see more attractive investment channels.

Governments need to cut back on administrative procedures, regulations and obligations for overseas migrants who now have the need to invest or own assets in the country such as homes and cars, set up factories in the country. This move aims to attract more remittances flowing into the country and at the same time help the remittances to be introduced into the economy rather than being stored in households.

Governments should allow individuals to be brought in / out of the current levels of foreign currency to \$ 10,000 for countries and \$ 50,000 for intra-ASEAN countries such as Romania and other countries in European community is doing. Now if you bring more money under government regulations, individuals must explain the source of income or pay taxes. This leads to less remittances and investment in production and business from migrants, as they do not want to deal with income taxes collected by the state after the business is profitable. Or want to take profits abroad.

### **3. Conclusion**

There is no denying the great contribution of remittances to the economic and social development of the countries. Especially the developing countries, in front of the need to use capital investment has high external factors to create momentum for rapid economic growth. The high amount of remittances has been the initial success of the nations. However, the effective use of remittances is a big challenge for many countries.

In order to make effective remittances effectively, countries need to continue to push up and control the export of labor and migration to developed countries in order to maintain stable and long-term remittances. Helping the economy have better, stronger resistance. At the same time, the pressure to create jobs for a large work force in the country while the economy has not created enough jobs. Parallel to that, helping developed countries compensate for the labor shortage.

In addition, labor exporters will benefit from having a highly skilled workforce capable of controlling advanced modern production systems. Which they have learned in the process of working in developed countries. When this force returns to the country, it will help greatly in expanding and improving production and management capacity, boosting the economy to grow better.

In addition to the positive effects, remittances leave little negative impact and are not worrisome. Governments need more flexible and open policies to overcome these

negative impacts and take advantage of the positive effects on their social and economic development.

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# REENGINEERING ORGANIZATIONS WITH THE CONCEPTUAL FRAMEWORK MULAN AND ULTRA HIGH-LEVEL PETRI NETS

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**Abstract:** *The purpose of this paper is to (re-)use the theory of Business Process Reengineering (BPR) for a “Reengineering the Corporation” based on the conceptual framework MULAN and ultra high-level Petri nets. The assumption is that the methods of BPR are a reasonable way to organize a system with positive effects with respect to system-of-systems (SoS). The hypothesis of this paper is that modelling of complex systems like SoS can be improved by the methods of BPR in the combination of ultra high-level Petri nets. The paper is addressing managers who are interested in SoS – complex systems – and who are responsible for managing the system. Their task is to understand what to change in a part of a system and what kind of impact this has over the managed system. For this purpose, modifying systems/SoS are presented. The novelty comes from using graph-based modelling techniques (high-level Petri nets) to explain technology-enabled business process change, building on the concept of reengineering organizations. The paper incorporates case study analysis and models from Information Science to allow using modelling theory from Business IT and providing support to organizational change.*

**Keywords:** Business Process Change; Business Process Reengineering /Redesign; Petri nets; System-of-Systems; Information Technology; Organizational Change

**JEL classification:** D23; O32; O33

## 1. Introduction

Since technology changes the way business operates, the new role of IT to support the business is undoubted. Utilizing a new technology – such as ERP, cloud computing, mobile platforms, analytics or social media, IT employees are responsible for the implementation, procuring and managing of the transformation. Resource-constrained IT departments are likely to be ill prepared to implement the new technology-driven change. For that reason, organizational change management goes beyond implementation of a new technology platform, and instead needs to focus on IT department learning to manage change. The purpose of this paper is to provide models for the operational semantics of organizational change management. By doing so, a new look at the organization as a system is given. So that, organizational managers can think of their organizations and process workflows as system elements and workflow nets (Aalst, 1997). A system consists of input variables, states, transitions and output variables. Thus people will be able to modify their own working conditions using the semantics of a system.

## 2. Research Methodology and Techniques

For the complex multifaceted BPC, we need appropriate models and explicit instantiation to execute the model. The used approach is having a system perspective,

which is addressed by the concept of systems-of-systems (Gabriel, Northrop, Schmidt, & Sullivan, 2006). An organization, represented as a system, contains processes and entities, each containing description/types and instances. Every entity has an environment, peers on the same level and internals. Every level includes resources, people, organizational units. A system can be recursively nested. Therefore, the hypothesis is that the organization is not a single system, but SoS, actually meaning we have systems within systems.

### 2.1. Multi-agent system and Petri nets modelling technique

As a conceptual background we have MULAN (Köhler, Moldt, Rölke, & Rüdiger, 2003), (Rölke, 2004) and it consists of a system (Multi-agent system), platform, agent, internals, protocols, knowledge-based decision components (Cabac, 2010). The platform is the environment. If we want to relate our Petri nets to Agent based Petri net, we have a special reference model to describe the workflow called MULAN. In organizational modelling, we can also use ORGAN (Wester-Ebbinghaus, 2010) – an extension of MULAN, containing 4 levels (Society – Market – Organization – Departments). The first level is called society – this is a system in some sense, organizational field. The second one - a market – which is a platform, there are rules and certain behaviours. The entities on the market level are organizations, on the 3rd level. Then we have departments. A department consists of several agents.

For the purpose of organizational change, we need a description of the process that is going to be changed. We want to change a general system process. First we explain everything on the agent basis. For this the MULAN and the ORGAN system are fine to be used. We have a transformation on a small level – for a person, and on an abstraction level.

Core concepts of Petri nets theory include distributed system states. An illustrative example is given in Figure 1. Transitions A and B are in sequence, they fire one after the other, C and D are independent of each other and fire in concurrency (or parallelism), because they have disjoint locations. Transition E represents the synchronization of the previously independent transitions. And finally, transitions F and G are in conflict. If the place, preceding the two transitions, contains only one mark/token, then only one of the two can fire. Petri nets cover abstraction, simulation, concurrency, synchronization, non-determinism, choices and all other essential modelling concepts.

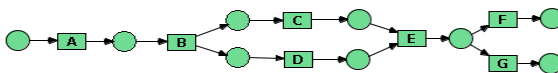


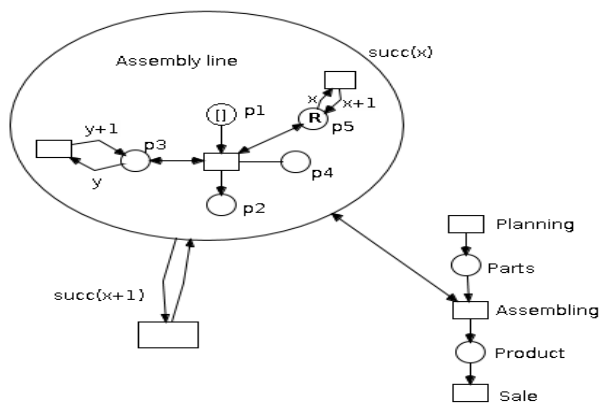
Figure 1: Petri nets attributes

### 2.2. The concept of Business process reengineering (BPR)

BPR is defined as the fundamental rethinking and redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service and speed (Joshi & Dangwal, 2012). The meaning that “Reengineering the Corporation” imply is that a radical, rapid and complete redesign of a company’s processes must take place in order that breakthrough improvements and a competitive advantage in the marketplace are generated. BPC and Business Process Reengineering/Redesign originates from Davenport and Short (Davenport & Short, 1990) and Hammer (Hammer & Champy, 2003).

### 3. Organizational Change and the Conceptual Framework MULAN

Within a department we have MAS or agents that can communicate on the level, so that the agents are internals of the department and the environment of the department is the organization. And the organization has internals of several departments. However, we have also managers or other single agents who are on the same level as the departments. So, on the level of departments we have some operational aspects of how a department can communicate. For that we need to have representatives. What happens is that we move the real communication from the level of departments on single instances that represent the department. And they are agents again. This representative is working for some goal, and this goal comes from a certain kind of organizational unit, meaning the legislation, regulators on the market in the role of controlling the market (Wester-Ebbinghaus, 2010). Within an organization the agent perspective can be used. To do so the ideas from MULAN can be used. One idea to describe this for formal analysis can be found in (Köhler, Langer, Moldt, & Rölke, 2000). It uses position agents and member agents. The formal rules within a system are described by positions and the members have to follow them. This can be used in order that the company positions are programmed, guaranteeing that the rules are followed. The model is describing the positions of the system.



**Figure 2:** Net within Net

On Figure 2 a proposition for an assembly line is presented, configured as net with-in net, based on the previous research by the author (Krasteva & Moldt, 2018).

### 4. Discussion and Conclusion

To recognize the power inherent in information technology and to visualize its application requires that companies use a rather untypical form of thinking that business people don't usually use. Most executives and managers know how to think deductively. That is when they define a problem or problems, then seek and evaluate different solutions. But applying information technology to business process reengineering, as Michael Hammer and James Champy put it (Hammer & Champy, 2003), requires inductive thinking – that is the ability to first recognize a powerful solution and then seek the problems it might solve and apply for. Those are problems that might not be known they exist.

Petri nets and the conceptual framework MULAN provide a powerful tool for modelling the organization as a system, or system of systems. Thus, all important and relevant features of a system can be modelled. A major contribution comes from the dynamic net structures that can be used by the reference net formalism.

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# APPLICATION ISSUES OF PERFORMANCE MANAGEMENT METHODS IN THE PUBLIC SECTOR

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**Abstract:** *Performance management is becoming more and more important today in the everyday-life of a company or any organizations. Nowadays, the topic of performance evaluation has importance not only in the business sector but also in the public sector. Not only the interests of an organization have to be highlighted, but also those of the employees. In addition to this, in case of public service providers, their customers may have influence on performance perception. Literature in the field of performance management is very diverse but it can be stated that public service organizations have come to the forefront. In this paper a basic research is presented that contributes to the formulation of my research hypothesis.*

**Keywords:** Performance Management; Healthcare; Balanced Scorecard; Public sector

**JEL classification:** H83; L25; L32; M10

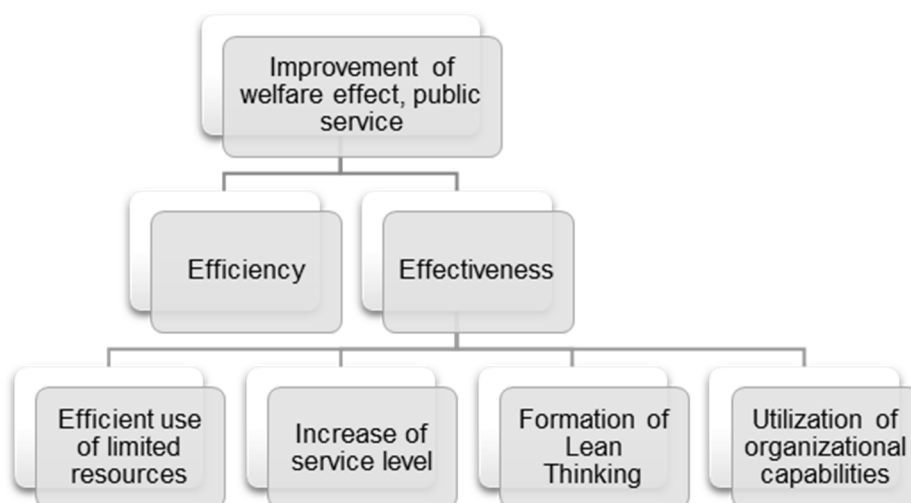
## 1. Basic elements of the performance management process

Based on a comprehensive literature review about the definition of performance management it can be concluded that the main purpose of applying its methods is increasing efficiency and effectiveness. For a more profound overview, a hierarchy of objectives is outlined. Beyond the two elements (efficiency and effectiveness) it demonstrates what the predominant targets for a public service organization can be.

In Fig. 1 it can be noticed that the top level is improvement of the welfare effect, while in the case of a public service organization this is the main goal, regardless of the sector. So this priority should be applied in case of performance management system too. At the second level, efficiency and efficiency are at stake. Although non-competitive sectors are analyzed, performance indicators are in the focus on these elements. At the third level the elements promote the above-mentioned higher-level goals; and it is necessary to focus on the following elements.

- Use of limited resources: limited term is intentionally introduced here, as in the case of a public service organization economic, human and physical assets are limited. Health sector is a useful example for this, as hospitals have cost control systems, i.e. their financial resources are limited within specific facilities. It is also worth mentioning that in this sector profit maximization is not the ultimate goal, but since the organizations are managed by public sources they must focus on efficient and cost-effective operation (Csath, 2016).
- Increase of service level: one of the main characteristics of this type of organizations is that their customers are the entire population. Therefore, services need to be provided not only for a certain group but also in some way almost everyone is in contact with these organizations throughout their lives.

- Formation of lean thinking or process approach: since the structure of these organizations shows that it is not a simple, straightforward organization, the coordination and development of processes must be taken into account.
- Utilization of organizational capabilities: performance management systems focus on these elements primarily. It has to be highlighted that it is important to define the vision and achieving the elements at the first two levels.



**Figure 1:** Target hierarchy of performance management of public service organizations

Source: Own edition based on Kocziszky and Veres-Somosi (2016)

The first task of an organization is to define the strategy in each case. The alignment of the individual areas can be linked to the strategy and can be achieved based on the goals set out in the strategy. In public service organizations this is a primary process because each sector has not only different goals, but also different value systems. It is already mentioned that performance management system should be applied in the public sector. For the selection, this method helps the target hierarchy described above. It has to be emphasized that the recommendation is to choose a system that allows an objective evaluation and it has to pay a particular attention to risk reduction as well. Because of the special characteristics of public sector, i.e. it is characterized by risk aversion because it has several customers. In my research the most commonly used methods in these areas are collected and in the following part, these methods are introduced.

## **2. Performance evaluation methods applied by public service organizations**

Since performance management system is primary match to the target hierarchy; there are features that can be applied to all methods. These elements are illustrated in the first column of Table 1. However, the characteristics of each organization are heterogeneous (size, resources, geographic location), therefore an appropriate method has to be associated with this. In addition, each procedure has novelty content. The differences that represent advantages for an organization when selecting a system are demonstrated in the last column of Table 1.

It can be stated that the application of each method has advantages and disadvantages, thus none of the methods can be considered as best. However, there are special sectors that favor a particular method. My research is related to healthcare sector, mainly hospitals. In order to set up my hypothesis, I studied the performance of certain hospitals in Hungary. The significance can only be measured by answering the question “what is best way to measure the objectives of the healthcare sector?” Perhaps this is the sector where many factors need to be taken into account because the indicators may depend on the patients and the classes.

The methodology applied in the institutions of county-seats and other towns. The research sample was small; it included seven institutions. The results are summarized in Table 2. Balance Scorecard proved to be the most frequently used methodology in healthcare institutions. It helps in breaking down the organizations to individual levels, so it can define a system applying quantitative and qualitative indicators too. This structure provides a comprehensive map about the institutions, and the directions of development.

**Table 1:** Introduction of performance evaluation methods with special regard to the public sector

Characteristics	Methods	Novelties
Future oriented Effectiveness Efficiency Main element is strategy Relationship between organization and individual High level of compliance Show multiple areas at one time Simultaneous use of qualitative and quantitative indicators	BSC	Breakdown of organizational strategy to individual level
	EFQM/CAF	Cyclical innovation projects can be developed
	SZTÉR	Framework model applied in the public sector / administration
	HOSHIN Management	Focuses on critical processes, system development PDCA cycle
	Performance Prizm	Ability to multi-purpose optimization
	10 probes	Qualified criteria system

Source: Own edition, based on Veres-Somosi and Hogya (2011), Czeglédi (2011), Wimmer (2000)

**Table 2:** Methods applied in the examined institutions

Hospital	Size	Method presented and applied in the strategy
Miskolc	County hospital	Balance Scorecard base
Zirci Hospital	Small town hospital	Individual performance reviews, there is no specific data on organizational evaluation
Csornai Margit Hospital	Small town hospital	Balance Scorecard base
Szent Raffael	County hospital	Balance Scorecard base
Szent Pantelon	Surgery institute	Balance Scorecard base

Bugát Pál	City hospital	Balance Scorecard base
Szent János	Joint hospital	There is no public information, but its nature shows Balance Scorecard base

Source: Own edition based on websites and strategic statements of institutions

### 3. Summary, results

Since there is no unified performance management system, it is worth to develop an integrated system that will help in the effective evaluation of the healthcare sector. There are also differences among institutions within the sectors but such a model provides an opportunity to integrate these individual characteristics. Based on my research the four aspects of Balance Scorecard system proved its effectiveness in evaluating these institutions. A further step of the research is inserting elements into the model. They can be based on previously gathered information and a preliminary defined target hierarchy.

### Aknowledgement

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## INNOVATIVE / COMPETITIVE TOURIST PRODUCT IN REVITALIZING A TOURIST DESTINATION. CASE STUDY: THE DANUBE CLUSTER

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*Abstract: This article aims to present the theoretical aspects of sustainable tourism, but also the necessities or opportunities for carrying out a quality tourist phenomenon in the Danube Cluster area, having the role of providing information on the subject of the said work, the initiative that manages all innovative / competitive tourism products in such a way as to participate in the process of revitalizing a destination, in our case the Danube Cluster. The area is known as one of the regions with the highest tourist potential not only by its natural and anthropic valuable objectives as well as by the local dishes. But as far as it seems, there are enough reasons thanks to which we can say that Danube Cluster is a sustainable and competitive destination.*

**Keywords:** tourism, sustainable, destination, innovative, competitive, tourist product

### **JEL classification:**

#### **1. Sustainable tourism conceptual clarifications**

Etymologically, the term "tourism" comes from English "tour" or "to tour", „to make a tour " (to travel, to make a trip); the term also comes from the French "tour", which means outdoor, hiking, walking. Tourism is a side of the tertiary sector of the economy, which involves organizing a journey or holiday, loisir-related activities, which designate the seasonal movements of the urban population to regions that meet the expectations of tourists.

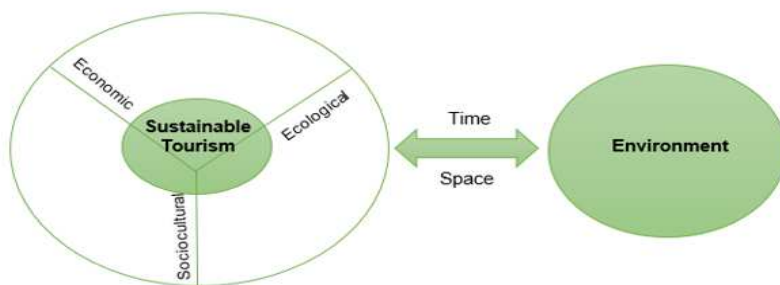
Sustainable tourism is the form of tourism that allows the development of tourist and recreational activities in a tourist destination, taking into account the basic principles of sustainable development, protecting the environment, socio-cultural values, and the economy of the tourist reception region.

Sustainable tourism helps develop all forms of tourism through good management and tourism marketing practices, which respect the natural, social and economic integrity of the environment so that the use of natural and cultural resources is to the benefit of future generations.

Ecological tourism or ecotourism, rural tourism, agrotourism, green tourism, fair tourism, "gentle" tourism, responsible tourism, are just some of the forms of sustainable tourism.

The concept of sustainable tourism is linked to the emergence of alternative tourism and green tourism, generated by the need to develop a new form of tourism that avoids the negative impact of mass tourism. This concept emphasizes how the environment is viewed as an ecological, economic and aesthetic value ; sustainable tourism being in a

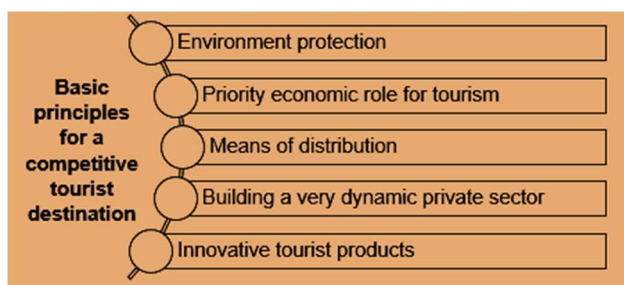
relationship of interdependence with the environment, its quality depends on the development of sustainable tourism. (Figure 1)



**Figure 1:** The interdependence of sustainable tourism with the environment  
 Source: Loredana Dragomir (2018)

**2. Competitiveness in tourism**

Competitiveness can be seen from several perspectives: products, firms or various economic, political and cultural branches; that is why we can say that the notion of competitiveness is quite comprehensive. Competitiveness has been defined by the OECD (The World Competitiveness Report, 1994) as "the ability of a state or a company to generate a higher income proportionately than competitors in the world market." As far as the tourism sector is concerned, they have defined the tourism competitiveness of a destination as "closely linked to the ability of a place to optimize its attractiveness for residents and non-residents, to offer quality, innovative and attractive tourist services to consumers and to attract a part of the domestic and global market, while ensuring that the available resources underpinning tourism development are used efficiently and sustainably. (OECD, 2013)



**Figure 2:** Basic principles that a tourist destination must observe in order to be competitive  
 Source: Loredana Dragomir (2018)

**2.1. Competitive tourist product**

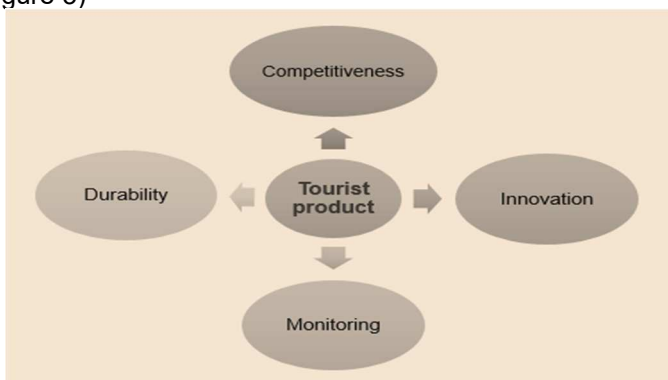
The tourist product includes all the goods and services necessary for the good development of leisure activities, or in other words the totality of the goods and services made available by the companies in the industry, everything that tourists acquire (accommodation, transport etc).

The process of achieving competitiveness in tourism is the essence of ensuring the competitiveness of tourism products. This is the result of the competitiveness of the providers involved in the production of tourism services, as well as of other factors that

contribute to the competitiveness of the tourist destination. (Mazilu M,(2012). *Sustainable Tourism of Destination, Imperative Triangle Among: Competitiveness, Effective Management and Proper Financing, Sustainable Development - Policy and Urban Development - Tourism, Life Science, Management and Environment*, Chaouki Ghenai (Ed.)

"A product / service is competitive when it has the ability to impose itself on a particular market, to sell in large, comparable quantities, possibly with similar products or services made and sold by competitors." (Olteanu, V., *Marketing turistic*, Ed.Expert, Bucuresti, 2000)

To excel, tourist products should not be limited to the two categories of elements: tourism resources and services; but must have as a starting point a better knowledge of the targeted clientele segment. At the same time, it is necessary to associate the tourism product with elements such as: competitiveness, innovation, monitoring and sustainability. (Figure 3)



**Figure 3:** Items related to the tourist product  
Source: Loredana Dragomir (2018)

### 3. The Danube Cluster sustainable tourism destination

The area of Danube Cluster has a tremendous tourist potential, represented by its many natural and valuable objectives as well as by the anthropic ones, all together making this part of Romania one of the regions with the highest tourist potential. Among the main tourist attractions are the Statue of King Dacian Decebal, unique in Europe by its size, and the second in the world after the presidents of the United States, The Danube Gorges, a picturesque region of a special beauty, the Mraconia Monastery, Tabula Traiana, located on the right bank of the Danube, the Gulf of Dubova, Ponicoava and Veterans caves. Also, at the level of Orșova, the numerous tourist attractions complement the beauty of the area.

The region of the Cluster has a rich historical load, being the area where the two Dacian-Roman wars took place, and centuries later the Russian-Austro-Turkish battles. All this creates the premises for the intensive development of tourism in this area of Romania, which is reflected annually by the large number of visitors. At the same time, the Cluster also develops from an economic point of view, because the large number of tourists requires the creation of new units of accommodation, food or relaxation spaces.

The desire of tourists to understand the culture and the specifics of an area give rise not only to tourist activities or attractions, but to a particular type of tourism called gastronomic tourism or culinary tourism.

Traditional authentic meals and drinks are undoubtedly real tourist attractions that are available to visitors throughout the year, regardless of the season or the weather. Tourists often return to a special area to enjoy local dishes.

In order to increase the number of visitors in the Danube Cluster area, a traditional food festival could be organized annually. And as we are talking about the Danube course, it could take place on a boat, so guests would not only be pampered with exceptional meals, but also enjoy a ride on the old river that crosses Europe from west to east.

## Conclusion

The Danube Clarion has the necessary elements to be included in the list of sustainable and competitive tourist regions in Romania and Europe, being an area with a rich cultural load, unique on the continent, where people have the role of promoting tradition through port, language, customs, including gastronomic art.

So if long-term economic development is to be desired in this region, tourism is the priority area through which this can be achieved, and for the durability of a tourist destination, the extension of the Life Cycle of the tourist product, innovation, competitiveness, become imperative, the two functional vectors of that destination.

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## MOBILE APPLICATIONS TRANSFORM LIVES OF SMALLHOLDER FARMERS

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**Abstract:** *Fourth Industrial Revolution technologies are driving significant innovations that illustrate the potential of emerging opportunities in agricultural management systems – including improving consumer nutrition, increasing supply chain efficiency and transparency and boosting farmer productivity and profitability. Which technologies could most powerfully transform the lives of smallholder farmers? It is therefore our duty to ensure smallholder farmers are not left behind in the Fourth Industrial Revolution. Strong digital infrastructure is crucial for smallholders to access and create tools that empower them to make decisions about their farms and businesses. In this paper we consider the main technological innovations such as internet access, mobile devices that can transform the lives of smallholder farmers through mobile applications.*

**Keywords:** Growth, innovation, smallholder farmers, technological change, economic development, productivity.

**JEL classification:** O3 – technological change and the knowledge-based economy.

### 1. Background

Nowadays there are 570 million smallholder farmers worldwide – usually working on plots of land less than two hectares (Lowder et al., 2014). Family farms produce about 80 percent of the world's food, so they "play a crucial role in tackling hunger", which more than 800 million people face worldwide. Despite this, smallholder households are often some of the poorest in the world. Smallholder farms are the custodians of about 75 percent of all agricultural resources in the world and, therefore, the key to improving environmental sustainability and resource provision. They are also most vulnerable to the effects of resource depletion and climate change. While data show impressive yields from land managed by family farms, many small farms are unable to produce enough food to provide decent livelihoods for their families. Thus, family farms are faced with a threefold task: ensuring the growth of yields to meet world food security needs and improve nutrition; ensuring environmental sustainability to protect the planet and provide them with their own production potential; and ensuring productivity growth and diversification to break the vicious cycle of poverty and hunger (Kingwell., 2002). All these problems mean the need to modernize family farms. In any case, family farms should be the main engines of innovation, because only in this way they can participate in the innovation process and ensure that the proposed solutions meet their needs. Family farms are a key component of the healthy food systems that we need to ensure a healthy lifestyle (Hollenstein H. 2004). ICT can play a huge role in rural development by helping the rural farmers to access new knowledge, up-to-date information and entrepreneurship skills. There are different ICTs including electricity, computers, internet, geospatial technologies, mobile phones and traditional media

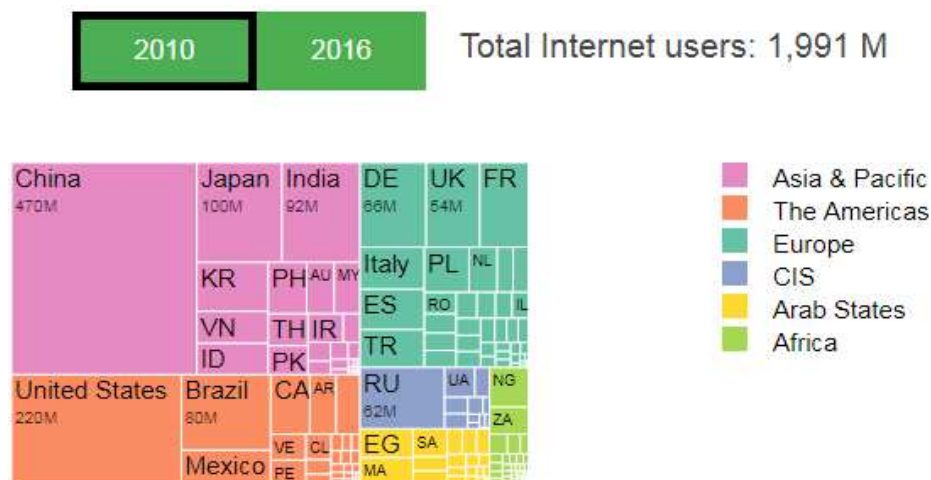
(radio, television) which are used in delivering agricultural information to the farmers (Stienen *et al.*, 2007).

## 2. Mobile applications

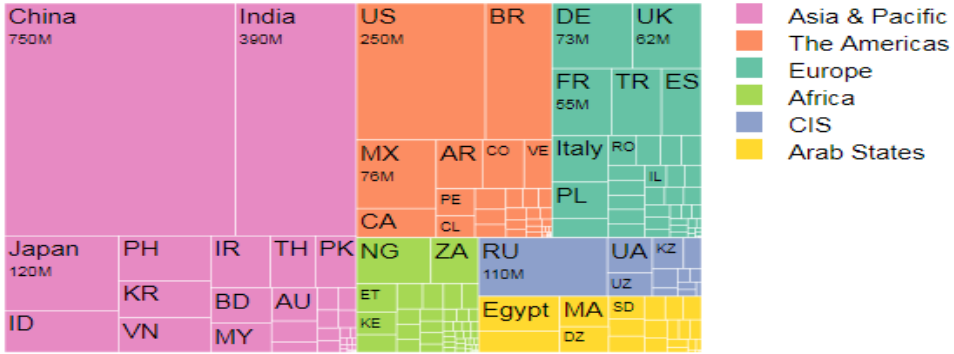
Information technologies are widespread. Mobile applications allow farmers to use smartphones, tablets or other mobile equipment, without the purchase of expensive specialized equipment, allowing to reduce the time for data processing and analysis, improve its accuracy. The scheme of work with such applications is simple, does not require specialized knowledge and available to everyone: using a mobile device, collecting data and their processing, the analysis of the received information. The collection of primary information is greatly simplified, with error measurements are already embedded in the software, which allows for analysis with high accuracy. But for these farmers, access and adoption of technology is not automatic. The electricity, the internet and mobile phones – are the main foundational technologies to start using mobile applications (Wu., 2015).

### 2.1 Increased internet connectivity to access information and knowledge to improve productivity on their farms

Around 4 billion people – more than 50% of the world’s population – remain unconnected to the web. In developed countries, the proportion of households with Internet access at home is twice as high as in developing countries. Only 15% of households in least developed countries have Internet access at home. The figure below gives information about the amount of population which are connected to internet in 2010 and 2016.



2010 2016 Total Internet users: 3,385 M

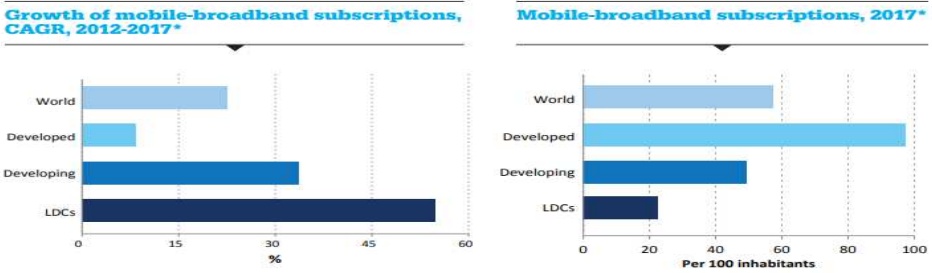


**Figure 1:** The number of internet users worldwide (2010-2016)  
 Source: ITU. Note: \* Estimates. CIS refers to the Commonwealth of Independent States

As we can see nowadays internet plays a crucial role in our lives and access to it increases in geometric progression. Additionally, the vast majority of smallholder farmers live in geographically remote areas, where good, fast internet connectivity reaches less than 30% of the population. Smallholder farmers could access information and knowledge-related to weather, rainfall or market demand, allowing them to grow and harvest food more efficiently.

**2.2 Mobile devices and platforms connect smallholder farmers to markets**

A large number of consumers of mobile phones, various gadgets, tablets, software for computers and the Internet are considered as convenient means for communication, getting the necessary information and entertainment. Using mobile technologies in these cases, people do not even think about how much more widely their opportunities are used and affect everyday life (Hudson., 2013).



**Figure 2:** Mobile broadband subscriptions  
 Source: ITU. Note: \* Estimates. LDC refers to the Least Developed Countries. CAGR refers to the compound annual growth rate.

In the field of agriculture, mobile technologies allow farmers successfully manage drip irrigation systems, timely fertilization, lighting and many other options when growing different crops. In the livestock industry to monitor the parameters, animal development, automatically giving out feed and necessary additives (Van et al., 2007).

## **Conclusion**

It is difficult to list all the applications of mobile technologies, but it can be said for sure that they continue to evolve rapidly, constantly improving, significantly changing our lives. The development of these technologies creates the comfort of our life, increases productivity and reduces labor costs at industrial facilities. All this gives us time and energy to implement new projects that expand the possibilities of technological progress.

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# INFLUENCE OF HUMAN RESOURCES DEVELOPMENT ON ECONOMIC GROWTH

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**Abstract:** *The development of society has always depended on human development and the organization of human activity. Against this background, economic growth is one of the fundamental issues of society. This article aims to highlight the importance of developing and educating human resources on the economic growth of a country, namely the case of Romania. The importance of developing human capital in the economic growth process of a country is highlighted in the article by comparing the number of university graduates between Romania and the EU average as well as between the regions of our country. The development of human resources is the basis for sustainable economic growth. Human resources are one of the main modeling factors of the economy. The development of human resources is directly proportional to the development of society, so they represent the main resource of any organization. Human resources and, implicitly, the necessity of their development, are considered the basis of the evolution of society and economic growth.*

**Keywords:** human resources, education, development, economic growth, economy, HRD

**JEL classification:** A10, A12, I25

## 1. Introduction

The process of economic growth is seen as a synthesis of a larger scale reproduction of socio-economic development and social progress. Sustainable economic growth within the boundaries of national and regional systems is a guarantor of sustainable development. Ideas on investing in human resource development for better quality products have grown in developed countries and supported by growth theories based on people's ability and workforce.

Human resources are the key to ensuring the proper functioning of the national economy. On the other hand, the imbalance in their planning, training, and management, in the face of insufficient financial means, generates undesirable social and economic phenomenon. HDR is primarily human growth, which leads to economic growth.

The term "Human Resources Development" was introduced in the literature by Leonard Nadler in 1969 at the Miami Conference of the American Training and Development Society (ASTD). Later, in 1970, L. Nadler also offered a definition of the term, emphasizing its importance by the large number of people in the field of HRD, specifying that the delimitation of the field may have negative consequences for the profession. (Nadler, L., 1970, p. 3). Human Resource Development (HRD) is a

relatively recent academic discipline, its theory and practice being rooted in the theory of human capital. Thus, over time, a series of definitions emerged, representing the development of human capital.

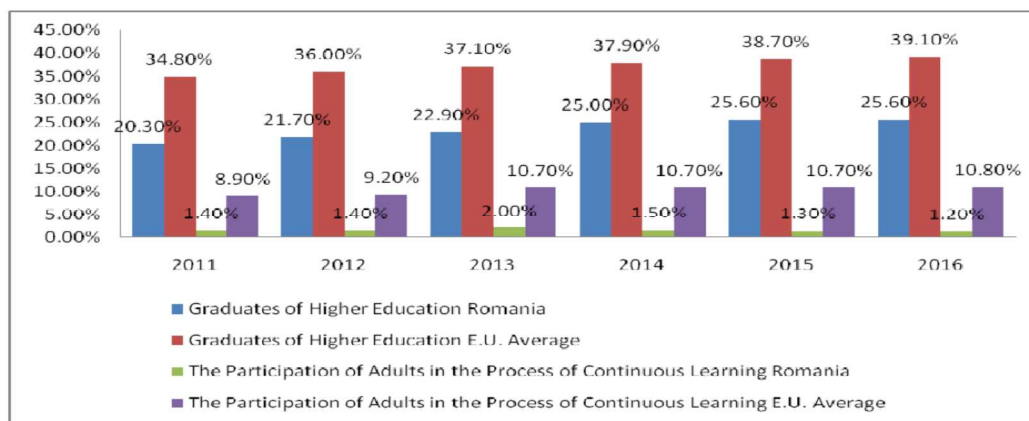
## 2. The Importance of Education in Human Resources Development

Schultz (1960) identified the importance of investing in human capital education, namely "increasing national income is a consequence of the addition of education to human capital." (Schultz, T., W., 1960, pp. 571- 583). Becker (1964) correlated the concept of human capital with that of school and professional training, thus increasing the quality of workers and productivity. Thus, countries that have experienced continuity in revenue growth have also had large increases in education and training. (Becker, S., G., 1964, p. 24). Becker and Chiswick (1966) argued that investing in human capital and returning returns as a result of individual maximization behavior determine revenue distribution. (Becker, S., G., Chiswick, B., R., 1966, pp. 358- 369). Kuznets (1960) emphasizes that education contributes to "economic growth by increasing the quality and complexity of the production process". (Kuznets, S., 1960, p. 4). Human capital is built up through education or training, which helps to increase a person's economic productivity, that is to say, it allows him to produce more than quantity and quality because it brings a higher income.

The safest and most balanced way to develop human resources is education, the quantity, and quality of information that every adult member of society has. Alfred Marshall (1879) sees education as "a national investment" (Marshall, A., Marshall, M., P., 1879, p. 32), and in his opinion, the most important investment is the investment of financial resources in human beings.

Studies identify the standard of living of a nation with the level of education (on average) owned by each adult member of society. Hanushek and Kimko (2000) note that the qualitative level of education has a significant effect on GDP growth per capita GDP. There is no doubt that education is an important aspect of economic growth and sustainable development. (Hanushek, E., A., Kimko, D., D., 2000, pp. 1184- 1208).

According to these theories, and comparing our country with U.E. as far as the share of graduates is concerned, we note that we are far behind. Also, in terms of the share of the participation of adults in the process of continuous learning, our country counts only a few percentages compared to U.E. media.



**Figure 1:** Graduates of Higher Education and The Participation of Adults in the Process of Continuous Learning, Romania and E.U. Average

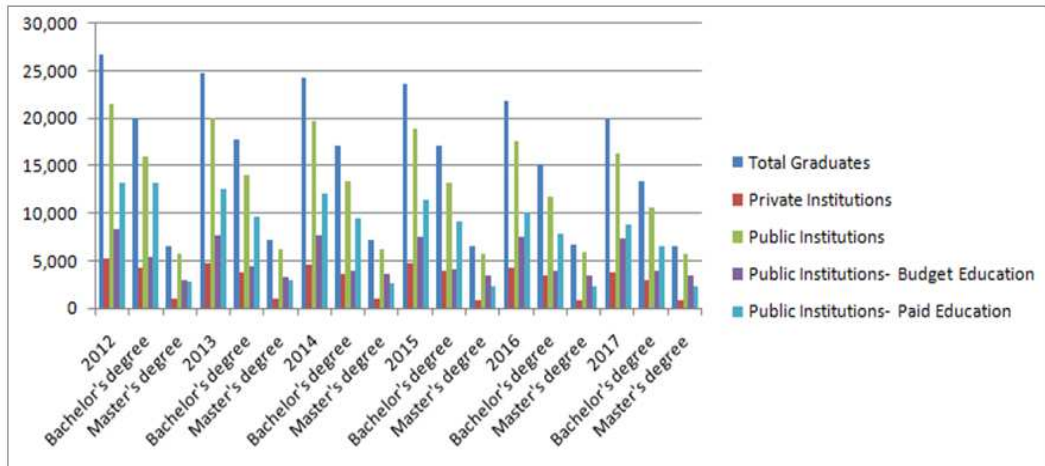
Source: authors' elaboration based on data from Eurostat (2015, 2016, 2017)

Although the analyzed years show that the number of university graduates in Romania is growing, our country continues to be well behind the European average in this segment. Thus, from 2011 to 2016, the number of graduates increased by only 5.30 percent, reaching 25.60%, compared to 39.10% of the EU average. The situation is not encouraging when we notice that adult participation in the lifelong learning process showed only 20% in 2016 compared to 10.8% of the EU average. The disparities between Romania and EU average on this segment are felt in the lifestyle of each individual and in the economic situation existing at national level.

### **3. The development of human resources is directly proportional to economic growth**

One of the challenges of the modern era, represented by the importance of human resource development, is still ongoing. The challenge is all the more difficult since, when analyzing the issue of human resource development in the current period, it is often done by reference to developed countries. (Gosney, M., W., Hughes, C., 2016, p. 111). Thus, it is also necessary to take into account the financial resources that states have invested in the development of human resources and how long the process ran from investment in education to growth of the national economy. It is easy to realize that, in general, those countries that currently have sustainable economic growth are the ones who have always invested in education. "Countries are underdeveloped because most of their population is underdeveloped, without having the opportunity to expand their potential capabilities at the service of society, the progress being the results of people's efforts." (Harbison, F., Myers, C., A., 1964, p. 13). The economy of a country develops directly in proportion to the development of the inhabitants.

The context of the development of human resources in the contemporary period is grounded in the theories of economic growth and aims at the balanced development of society. For this reason, Drucker (1993) points that the process of economic growth does not consist of the capital of enterprises, which can be consumed or depreciated over time, but in the degree of development of human capital that can not be lost. (Drucker, P., 1993, p. 12). Investing in human capital development is essential for a country that seeks to increase the level of economic development, primarily because human resource development is a determinant of a country's ability to produce and adopt technologies and innovations. However, investing in human capital development, albeit extremely important, is not sufficient for rapid economic growth, and this kind of investment needs to be accompanied by a proper development strategy. The development of human resources leads to economic growth, but the first aspect to be considered is the investment in education.



**Figure 2:** Graduates of higher education by type of education, in Romania  
Source: authors' elaboration based on data from INS (2018)

From the analyzed years, it can be noticed that the total number of higher education graduates is decreasing. Thus, 2017 recorded a total of 19,943 graduates, compared to 26,730 in 2012. Also, the number of graduates of private institutions is decreasing, with 2017 registering 3,715, compared with 5,182 in 2012. Thus, the year 2017 registered a total number of graduates of public institutions of 16,228 and 7,412 budgeted places, compared to 21,548 graduates and 8,371 posts budgeted in 2012. In terms of paid education, the year 2017 recorded 8,816, compared to 13,177 in 2012.

In order to analyze the impact of human resource development on economic growth, the regression analysis method is used with SPSS v20. The timeframe analyzed is between 2000 and 2016. The dependent variable is the Gross Domestic Product, and the independent variables are the level of research workers and the Human Development Index (HDI), to show to what extent they influence economic growth. HDI is a composite index that takes into account life expectancy at birth, education levels and income of the population, surprising the level of human resource development.

**Table 1:** Correlation test results, ANOVA, and the regression coefficients of the impact of the employed variable in the research field and HDI Index on Gross Domestic Product

Independent Variables	Pearson	F - test	t - test	Sig.
Research Employees	0.687	13.408	3.662	.002
HDI Index	0.938	110.243	10.5	> .001

Correlation analysis reveals that research workers and increases in the HDI indicator are contributing to economic growth. The Pearson correlation test demonstrates that there is a positive correlation among research workers, and between the fluctuations of the HDI indicator and the Gross Domestic Product there is a correlation close to the absolute value, 1. The F - test and t-test values are statistically significant at a materiality threshold lower than the reference value .005, showing that there are direct and significant links between the two independent variables and economic surprises with the evolution of the Gross Domestic Product.

Human resource is the nation's greatest asset. The degree of human resource development will influence economic growth through the presence of labor in the

advanced sectors of the economy, where revenues are well above average. The allocation of higher amounts to education and research programs is imperative for Romania's economic growth. Researchers are also a key factor in attracting foreign direct investment. Multinational companies interested in product research and development will be interested in people with innovation capabilities, and a large number of people in this branch is driving foreign investment in innovation and research. However, government-funded research expenditure accounts for only 0.38% of GDP, up from the European average of 2%. Reducing this gap will boost economic growth, and increasing program funding will drive more people to work in this industry. The positive correlations, close to the absolute value of 1, between the HDI indicator and economic growth, show that investment in education and health is needed for economic growth.

## 5. Conclusions

The continuous development of human resources is absolutely necessary for any field of activity, both in the public and private sectors. Employers' investment in employee performance will be reflected in the growth of the field of activity and thus in the growth of the national economy. Investing in human resources training is necessary to start with education, continuing with its highest level and professional qualification. It is useful to combine vocational training with personal training so that the horizons of knowledge will be wider and the desire to evolve.

Schooling as an institution has always had an important place in people's lives, education and training being the only way to social evolution. Society has an obligation to engage in educational and professional education of young people, thus supporting a balanced evolution and providing the world with qualitative human capital.

In the contemporary period, it is known that, unfortunately, the number of school dropouts is steadily increasing and there are also decreases in enrollment of children in primary education; as well as the continuation of compulsory education, with a post-secondary school, with some professional qualification courses or university courses. One of the main reasons for this is the lack of financial resources at family and national level to support education and training.

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# NON-FINANCIAL REPORTING - A CHALLENGE FOR ACCOUNTING PROFESSION

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**Abstract:** *This paper presents issues related to non-financial reporting, focusing on sustainability reports. In recent years, corporate social responsibility (CSR) has been asserted as a new form of business governance, CSR being recognized in a global context. Companies have a significant impact on social development in the areas where they operate. Therefore, these companies have a responsibility that extends beyond a simple algorithm that refers to profit. There are a multitude of companies that are profitable in financial terms but have activities that harm their own employees and the community. There are major differences in CSR approach; these differences appear in the literature, where authors perceive differently the responsibilities of a company towards society, but also the way EU member countries implement the Directive 2014/95/EU of the European Parliament and the Council in the national legislation.*

**Keywords:** sustainability; non-financial reporting; transparency; credibility.

**JEL classification:** M14; M40; M49.

## 1. Introduction

Corporate Social Responsibility (CSR) can't be considered only a philosophical and practically inappropriate subject for the accounting profession because social responsibility is an effective way of supporting medium- and long-term financial interests of companies. When social responsibility action is thought to be a long-term corporate action plan, then society benefits both in social and economic terms.

CSR reporting shows how companies choose to behave in relationships with suppliers, employees, customers, investments, the environment, the company, and people who influence their financial results.

In Romania, according to the Directive 2014/95/EU, companies with more than 500 employees were required to produce a sustainability report to show the impact of the company on the economy, which is its responsibility for its own employees, for society and for the environment. In our country, this Directive has been transposed by a minister's order that has restricted its scope.

## 2. Theoretical considerations

Lemus (2016) discussed about companies that its reporting their CSR results to the public because they want through these reports investors, employees, suppliers, and customers to see the company's involvement in social activities. Managers want to lead a profitable business in the long run and need information about indicators that can lead to risks. It is very important for management and shareholders to have access at one clear, transparent, and credible information.

According to Elkington (2004), RSC reporting describes how companies choose to behave in relation to suppliers, employees, customers, investors, the environment, the company, and the people who influence their financial results.

Hačegan et al. (2018) believe that non-financial reporting was related to CSR policy, but also to risk management and business strategy. Through CSR reporting, investors, customers, employees and the company can make a pertinent comparison between company performances.

Leitoniene and Šapkauskienė (2016) mentioned about the fact that there were arguments for and against the concept of CSR, the anti-responsibility followers regard companies strictly as a profit-generating eco-entity, responsible only in relation to its shareholders; on the other hand, the followers of the concept consider the company as part of an economic and social framework, the company being held accountable both to shareholders and to different interest groups.

It goes without saying that any socially responsible corporation is interested in performing a profitable activity, but it must be assessed simultaneously with an analysis of the positive and negative effects posed by social, economic and environmental impacts on society in general. Garriga and Melé (2004) shows that the CSR refers to how business affects their own profitability, but also on the behavior and expectations of those involved: employees, shareholders, customers, authorities etc.

The main organization working in the field of CSR is the Global Reporting Initiative (GRI). GRI is an independent organization that encourages companies and other governmental and non-governmental organizations to perceive the importance of critical issues related to sustainability such as climate change, human rights, and corruption.

GRI has been working successfully since the 1990s, playing an important role in determining transnational companies in adopting sustainable reporting standards for the common benefit of the world economy, citizens and governments to substantiate decisions on relevant information.

Another important organization in Europe is CSR Europe, which in collaboration with GRI was a key element of support for companies and organizations in order to understand the non-financial reporting practice.

### **3. Analysis of the implementation the European Directive in EU countries and European Economic Area (EEA) countries**

European Directives can be fully implemented in the legislation of each country or can be adapted by each country. The Table 1 outlines the main requirements of the Directive and how these have been implemented. Data was processed on the basis of a study by "CSR Europe and GRI".

It can be noticed that with regard to the implementation of the Directive 2014/95/EU in national legislation, about half of the EU countries have chosen to include provisions in the accounting legislation and the other countries have chosen to include provisions in other categories of legislation. This shows that some countries do not give much importance to the accounting profession as regards the responsibility to prepare non-financial reports.

In the above table were presented the two countries with a limit of 250 employees in terms of CSR reporting: Sweden and Iceland. This shows us a greater interest in the two countries for what transparency and credibility means for companies. Other countries have to report a non-financial report if they exceed 500 employees.

Most countries prepare non-financial reports if they have net turnover over EUR 40 million or balance sheet total over EUR 20 million. There were also countries with



different limits in terms of these indicators and countries for which there were no threshold for net turnover and balance sheet total.

It can be noticed that some countries have to report non-financial information to public interest companies such as listed companies, credit institutions and insurance companies, but most of these three categories also include others such as investment firms, factoring companies, health insurance companies, etc. which shows the interest of those countries for non-financial reporting.

**Table 1:** Countries classification depending on how the European Directive has been implemented

<b>Indicators</b>	<b>Version 1</b>	<b>Version 2</b>	<b>Version 3</b>
<b>Implementation of Directive</b>	<b>Accounting law</b>	<b>Separate law</b>	
Countries	Bulgaria, Croatia, Czech, Bulgaria, Czech Republic, Estonia, Finland, France, Hungary, Poland, Romania, Slovakia, United Kingdom (UK), Norway	Austria, Belgium, Cyprus, Denmark, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Portugal, Slovenia, Spain, Sweden, Iceland	
<b>Employees:</b>	<b>Over 500</b>	<b>Over 250</b>	
Countries	Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, UK, Norway	Sweden, Iceland	
<b>Net turnover or Balance sheet total</b>	<b>over EUR 40 million or over EUR 20 million</b>	<b>Other limits</b>	<b>No limits</b>
Countries	Austria, Cyprus, Finland, France, Germany, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Slovakia, Slovenia, Spain, Norway	Belgium, Bulgaria, Croatia, Czech Republic, Hungary, Poland, Sweden, Iceland	Denmark, Estonia, Greece, Portugal, Romania, UK
<b>Public Interest Entities (PIE)</b>	<b>Listed companies Credit institutions Insurance undertakings</b>	<b>PIE from version 1 and other categories</b>	<b>All types of companies or legal entities</b>
Countries	Cyprus, Estonia, Finland, France, Ireland, Italy, Latvia, Luxembourg, Malta, Slovenia, United Kingdom, Norway	Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Germany, Greece, Hungary, The Netherlands, Poland, Portugal, Romania, Lithuania, Slovakia, Spain, Iceland	Sweden

Disclosure Format	Requirements were the same as in the Directive	Requirements have been adapted	
Countries	Cyprus, Finland, Ireland, Luxembourg, Poland, Portugal, Romania	Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Lithuania, Malta, The Netherlands, Norway, Slovakia, Slovenia, Spain, Sweden, United Kingdom	

Source: own representation based on the article “Member State Implementation of Directive 2014/95/EU”, published by CSR Europe and GRI in 2017

In terms of disclosure format, only a few countries, including Romania, chose to present non-financial reports as in the EU Directive, and most countries were adapting the information presented by the Directive.

#### 4. Conclusion

The study shows that most countries have adapted European Directive, which means that each country had different approaches to the regulation and implementation of the Directive's objectives. The Directive opened the way for Member States and EAA countries towards a new beginning of CSR and a sustainable global economy.

Each EU country could choose to implement the Directive 2014/95/EU into national law through accounting legislation or separate legislation. In Romania, the Directive was implemented in the accounting legislation because the lawyer considered it necessary for both financial and non-financial information to be in charge of the accounting profession.

In my opinion, non-financial reports should be within the scope of the accounting profession and should accompany the financial reporting to present a transparent and credible image from the company.

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## ETHNIC IDENTITY AND SOCIO-ECONOMIC MARGINALITY AMONG ROMA COMMUNITY MEMBERS IN SELIND

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**Abstract:** *Bihor County is a territory of the country that by its geographic location and its historical past presents a complex ethnic and cultural landscape. This short study draws attention to the identity of the Roma people living here through an example of a village from a particular region – Valea Ierului. The research data included in the study are not representative, but are indicative. They are encouraging to further investigate the opportunities that lie in the intercultural nature of the school network in Bihor County.*

**Keywords:** Roma community, identity, socio-economic marginality, self-definition strategies

**JEL classification:** J15

The inhabitants of Bihor County are like a colorful bouquet of flowers: Romanians, Hungarians, Slovaks, Germans and Roma. Their cultures preserve traditions, but develop constantly, become colorful, transform and enrich with unique features. Valea Ierului is the area of the county where a large number of Roma live, alongside the Romanian and Hungarian nationalities. Their presence, lifestyle, and behavior often difficult-to-understand for the majority society are the source of numerous conflicts. I had an opportunity to explore the everyday life of the local community of Șelind. With the help of the educator colleagues working there, I was a guest of the village for a brief research stay. I conducted a questionnaire based survey of Roma population and made spontaneous interviews among key local community members. Behind the internal tensions and conflicts of the community there are unresolved identity problems: who is identified with whom, where he/she really belongs, what social background and what power relationships determine the functioning of the community?

### 1.The Roma minority in the light of figures

According to 2014 data, 6 162 000 Roma live in the EU Member States, of which 1 850 000 in Romania, representing 8.3% of the country's population (Cace 2014). According to the census data of 2011, only 619,000 of them declared themselves Gypsies. (Recensământ 2011) The rest consider themselves Romanians, Hungarians, Germans, depending on the majority in the social environment. National surveys also point out that 81% of Roma live in deep poverty and social support. In Romania, poverty and exclusion are closely related to ethnic affiliation (Preda 1999). The situation of the Roma population living here is unique in Europe as they have multiple impacts on the environment in which they live. Their life is largely influenced by the living environment: rural, archaic, or urban, modern lifestyle results in substantial differences in the value system, demand level, education and employment. The relationship with the majority population results in differences in linguistic and cultural

characteristics. Thus, the minority status of Roma living in Romania is complex and varied according to the region, and is characterized by cultural diversity. In their case identity is not uniform.

## **2. Sociological definition of ethnic minority**

The ethnic group which is not part of the majority society through its ethnic determination is forced to develop its own solutions and strategies for its own affiliation. These strategies are: (1) segregation, or separation from the majority society, (2) assimilation - mingling into the majority society and (3) integration - catching up to the majority society and being absorbed by it. (Bakony 2009: 86). It is not the same, however, whether these strategies are developed by minorities themselves or imposed from outside. In the case of the Roma, the low level of education and the denial of the opportunity to study has become a self-selected strategy. A change of view is therefore needed in order to change their quality of life and not to remain a numerically significant marginalized part of the majority society (Liegois and Gheorghe 1995). An individual is anchored in the identity of society and this makes him/her a useful and valuable member of a particular group. Through his/her identity, the individual classifies himself/herself into a group, commits himself/herself to the group's values and lifestyle. By means of identity the groups can be distinguished in society (Csepeli 1993: 227). For an individual, the results of identity learning and experience are attitudes, moral norms, social and behavioral patterns. This sociological definition has become the starting point for my research work. As identity is created on the boundaries of "we" and "they", affiliation also means separation.

## **3. The situation of Roma community in Șelind**

The village belongs to the commune of Șimian, one of the relatively isolated settlements of the Valea Ierului region. There are no good road transport facilities and no bus lines. The locality is connected to the Oradea – Satu-Mare railway line and has a train station. Thus, the train is the almost only means of transport that is used by the inhabitants of the village or by other travelers. The village is located in the immediate vicinity of the border. The local Roma do not live in a single community. Their differentiation is also indicated by the fact that their habitat was created in two different places: the Gypsy Row of small junks built on the border of the cemetery and the pasture, and the streets called the New Raw (Malom Street and its surroundings) where the wealthier Roma families bought the village houses. There is tension between the inhabitants of the two places that are close to each other, with the social and material differences in the background. According to the Mayor's Office, the Roma community of Șelind now consists of 131 families, 527 inhabitants. Of these, 43 families applied for social assistance to the local government, all of whom were residents of the Gypsy Row. 27 families also use family allowances in addition to social benefits. So 32.8% - almost one third - of the community maintains itself through state subsidies. The entire Roma population is characterized by illiteracy. It is rare among them to read or write even on elementary level.

## **4. Community identity**

During the interviews with an older, respected woman of the Gypsy Raw, I asked her what groups she knew within the community. She started to classify the groups she knew, and then characterized them by her perceived or real experience. She started

the list with the "Adobe-maker Gypsies", where her own family stands for belonging. They have a close relationship with the group of "Trough-makers", which, according to Mrs. P, have many families living in Diosig. Both groups are valued as people who want to earn a living by work. The list continues with the "Beás" group, who are the descendants of the so called "Oláh Gypsies", only that being settled among ethnic Hungarian population, the Hungarian has become their spoken language. They are, according to Mrs. P, those who *"just love to have things, not to work anymore"*. They are always wondering where they should go (state, churches, foundations) to get some help. *"They are having many children, because money comes after them, then they complain that there is nothing to eat."* The interviewee also mentions the musician Gypsies who are called "Gentle Gypsies" who disdain those "like us". They do not mix with any other group because they consider that these are already below their rank. Lastly, she mentions the "Channel-maker" Gypsies, who are wealthy, earn big money and form a closed community. *"They are not more educated than we do, but they know the craft well, they inherit the craft to their sons, they are well-earned, they live well, but do not mix with anyone."*

The categorization of the interviewee is based on subjective, perceived or real experience. However, it is relevant to the community of Şelind, as it points to community self-image, which is the main element of identity and of its value system. At the same time, it provides an insight into the internal functioning of the community and highlights the internal balance of power. Concerning the tension between the Gypsy Raw and New Raw, the interviewee said that at one time the New Raw inhabitants lived in the Gypsy Raw alongside the pasture, but managed to break out. Thus they became the targets of envy, malicious rumors. They are those who have turned to the integration process and are trying to resemble the members of the majority society. All this was confirmed by the answers to the questionnaire. In New Raw, most of respondents declared themselves Hungarian. Some interesting answers have led to the conclusion that there are others who have not completed the crisis of identity. They are the "Gypsy-born Hungarians". It is a self-definition which has a deep message: a person who does not want to break away from roots in Roma tradition tries to identify with another minority's values so as to provide a more livable life for his children and offspring. In the Roma community of Şelind, the generation of grandparents still speaks the Beás Gypsy language, the middle age and the young people no longer. They understand, but they are not always used to speak, nor do they teach their children. The place of the mother tongue was taken over by the specific language which, over the decades, has evolved from the mixing and interaction of Romanian and Hungarian, and it has become colored with the elements of the Beás language. Walking with them, one might feel that these children are not really speaking a language properly.

## **5. Self-definition**

The majority society puts all Roma "under the same label", it treats them with prejudices. It generates and projects negative experiences on both individuals and communities. This is due to the fact that the prevailing attitude of the majority society as part of the Roma self-definition has become part of what Lewin called "self-hatred." (Lewin 1975:74) Everyone is motivated to see himself positively, find for himself a positive identity. In the process of self-definition, however, the question of belonging to the group is a key factor.

How can an individual, who is a member of a prejudiced group, define himself? "Self-hatred" is manifested in the New Raw inhabitants' sense of being ashamed of their "belonging to Gypsies", so they try to distance themselves from the perceived negative

elements of the group. In my questionnaire survey, answers to these questions have been answered with typical definitions. My Gypsy Raw respondents, unanimously, defined themselves as "poor Roma" with the request that they should not be called simply "Roma" because, according to their experience, the Roma steal, fight, damage others and don't respect even their own kind. They do not want to be in a communion with the perceived defamatory attitude of Gypsy Raw inhabitants. New Raw respondents, who are already getting closer to the majority society, not only distinguish themselves from the Roma but also from the Gypsy Raw inhabitants. Once they lived there, they are now criticizing them for their "laziness", and "backward way of thinking". Therefore, most of them regard themselves "Hungarians of Gypsy origin". Thus, we can conclude that the terminology of self-definition is shaped by the socio-cultural conditions of the local environment.

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# THE IMPACT OF THE INFORMATION SOCIETY ON MANAGEMENT OF HUMAN RESOURCES IN PUBLIC LIBRARIES

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**Abstract:** *Society is rapidly evolving, information progress is sometimes difficult to predict, and libraries, millennial institutions, are constantly facing unprecedented challenges. The management of a library has to be in harmony with the analysis of the users needs, knowledge society trends and strategic planning. How should a management strategy tailored to the current labor market be built? But, mainly, how can human resources in libraries be managed in a digital era, artificial intelligence, Internet of Things, robotics? What new skills should a 21 st century librarian develop? Is the library an attractive job for the younger generation?The continuous professional development of specialists from the info-documentation structures is a subject of great interest, therefore, the current situation and optimization solutions are presented. It also identifies, without exhausting the subject, how modern management techniques such as leadership or organizational culture can improve human resource management in libraries. The work starts from actual data and figures, but places great emphasis on modern work methods to be used for obtaining results. The study focuses mainly on Romanian public libraries, but it cannot be done outside the context of all libraries regardless of type or geographic position, therefore it contains various references from international specialty practice.*

**Keywords:** management; human resources; libraries; knowledge society; leadership; labor market

**JEL classification:** D83; F22; J11; J45; O15

## 1. Introduction

Libraries are millennial institutions that we know so much about without completely deciphering their purpose and function. We know everything about them, without suspecting that there are still so many untapped opportunities and that their role is much broader. Librarian or user, the situation is similar, only the perspectives are different. Both categories look closely at the evolution of society and formulate various assumptions about the future of the library and reading in this context. Opinions about a bleak future or about library reinventing, about the death of the book on paper or about its eternity, the sunset of the librarian profession, and the amplification of the role of a librarian in his community are being emitted. The key, not the only one but certainly the most important, of the most realistic decipherment of the mechanism of development, operation and resistance in time of a library is given by the management of this organization. By analyzing the management, contributing to its development, we can understand, but also influence the way the public library will evolve, the most complex and applied type of library existing to date.

Following the reasoning, a management prepared and adapted to the times we live is a management that grants great interest to human resources and their development on



modern principles. The situation is also valid in libraries where the human factor is decisive in achieving professional performance. All of the above demonstrate the actuality of the subject, as well as the need for library professionals to make their own contribution to the process of change in the XXI century. Without claiming that we have exhausted this subject, the present study presents a number of contributions that can, by implementation, make improvements in library management in general and in human resources in libraries in particular.

**2. Motivation and the importance of research**

The traditional library, as it has entered into the collective memory of mankind, is endangered - the same cannot be said about the book – thus this institution is reinvigorated by the positioning of the person and its needs of *information, socialization, training or recreation* above all, this becoming the main mission of a modern library.

In order to transition from document-based services to relationship-oriented services tailored to the needs of the public, the library has to prepare the personnel, adopt strategies, and, by performing, may attract the community to cross its threshold. Only a vision leader, who in turn coordinates a team with daring and modern projects, can convince a community of individuals who have the information at a click away, for which time and travel are always a problem, to come to the library.

At the University of Arizona Library (UAL) this method that aligns needs assessment, strategic planning and team with individual planning and performance management into a user-centered annual cycle of activities and modern trends inspired by future projections, was implemented.



**Figure 1** Continual Needs Assesment, Evaluation, and Planning in libraries  
 Source: Voyles, J. F., Huff-Eibl, R. (2013)

Considering the above mentioned, specific library management becomes a complex issue, the strategy development, achievement, or efficient staff management can not happen at random. Library management must be anchored in the realities of the knowledge society. Its available resources must be managed taking into account the

technology and the more diversified needs of the community that today is based on access to information, training, socializing and entertainment.

### 3. Statistical data on human resources in Romanian public libraries

**Table 1:** Synoptic table for 2015-2017, with staff distribution by type of norm, level of education, by residence area and types of libraries, and by age group

Year	Total personnel	Female gender	Of the total, full time personnel	Of the total, by the personnel level of education:			Age group			
				Higher education	Secondary education	Other level	Under 25 years	25 – 49 years	50 – 64 years	65 years and more
2015	4746	4031	4625	2805	1763	178	49	3159	1519	19
2016	4686	3975	4590	2807	1704	175	41	3076	1540	29
2017	4628	3934	4532	2826	1697	105	30	2828	1740	30

Source: National Institute of Statistics

Based on the above mentioned we can define a general profile for the romanian librarian of 2017: *female, higher educated, age between 25-49 years.*

### 4. National Employment Strategy in Romania 2014-2020

According to the document drawn up by the Ministry of Labor, Family, Social Protection and the Elderly, called the **National Employment Strategy 2014-2020**, as a general observation, although a positive economic development is expected in the medium term, due to the continuous decrease of the total population of Romania, the labor force will suffer in the years to come. Also, there is an obvious trend for the growth of the age of working population, amid the drop in the young population.

Concluding, the Romanian labor market faces several serious challenges, demographic decrease, the reduction of active population, migration, mobility and the aging of the labor force. Fortunately, libraries do not have such serious problems as they exist in the private sector, because so far there has been a significant wage growth in the past two years so jobs in this area will not suffer significantly. Only at this moment because as I said, with no workforce made up of young people, in a few years the threat of not having enough staff will be more serious.

### 5. The competences of the modern librarian

Librarians and managers or human resource managers in libraries should be one step ahead and train their personnel to acquire new skills in order to transform the library into a competitive organization with the knowledge society. Librarians will need to acquire very good computer skills and engage in creative, communication or presentation activities that will certainly not be too soon substituted by a robot, even with artificial intelligence.

Holmberg and co-authors (2013) conducted research on a number of 100 librarians and identified the following basic skills needed for a Library 2.0: *Internet skills* (27 responses), *interactive* (25), *user needs oriented* (22), *informed about anything* (16), *active* (15), *integrates the Internet in his work* (13), *content producer* (13), *virtual* (10), *open* (10).

However, the librarian profession is still considered conservative and this does not help when deciding to adapt it to the needs of the modern user. A proactive attitude is needed, and library managers have a very important role to play in this.

## 6. Conclusions

We believe, based on the above mentioned, that greater emphasis is needed on continuous vocational training, from managers and specialized personnel to administrative staff. The courses available to librarians are insufficient and not modernized, so they need to be updated, modern, focused on *information technology, leadership, project management, communication*, etc. In this regard, professional associations need to be more active and offer as many professional training programs as possible one step ahead of time.

Managers have an essential role in the evolution of libraries. The level of leadership of the library as a whole is always given by the leadership potential of the organization's manager, so employee training is effective only if their manager is well-focused on the mission. The manager needs to know and involve himself in the management of the organization that he leads and, through his vision, to incite the employees desire to innovate, transform. For the public library this is the priority: adapting to a technology based society, where information is not just in books, but all around us, one click away.

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# THE BENEFICIARIES AND THE COSTS OF THE RESIDENTIAL CARE CENTRE FOR ELDERLY

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**Abstract:** *The article describes the Residential Care Centre for Elderly Arad and the costs of its services. The topic has relevance both at academic and social practice, because the short or long-term effects of changing the quality of life in the elderly affect a large part of our society. It primarily addresses to elderly people who are unable to meet their socio-medical needs due to physical or mental illness, by facilitating access to a complex of social services correlated to their needs, by occupational therapy and socialization and by providing them with continuous care, treatment and recovery.*

**Keywords:** categories of beneficiaries; cost / benefit analysis; public social services; elderly person; institutionalization.

**JEL classification:** A14; I31; J14; K38; O35; Z13.

## 1. Introduction

Population aging is a phenomenon that has grown since the last century. Raising living standards and decreasing birth rates has led to an increase in elderly people, especially in developed countries. The phenomenon of aging is a challenge not only at the level of the European Union, but also for all the world's states, especially from a social and economic point of view. (Doru Buzducea, 2010).

Social Service - *Residential Care Centre for Elderly* is a socio-medical public institution that provides residential care for elders and with disabilities, recovery and rehabilitation, ergotherapy and leisure activities, social and psychological assistance.

The services provided in the center are established by legislation, respectively Law 17 / 2000 on elderly care, supplemented by OUG 24/2016 and Law 19 / 2017, art 14; the quality and diversity of services according to the needs of the elderly which are the basis of the observance of the Order no. 2126 / 2014, regarding the minimum quality standards for the accreditation of social services, Annex 1;

## 2. Services for beneficiaries and their purpose

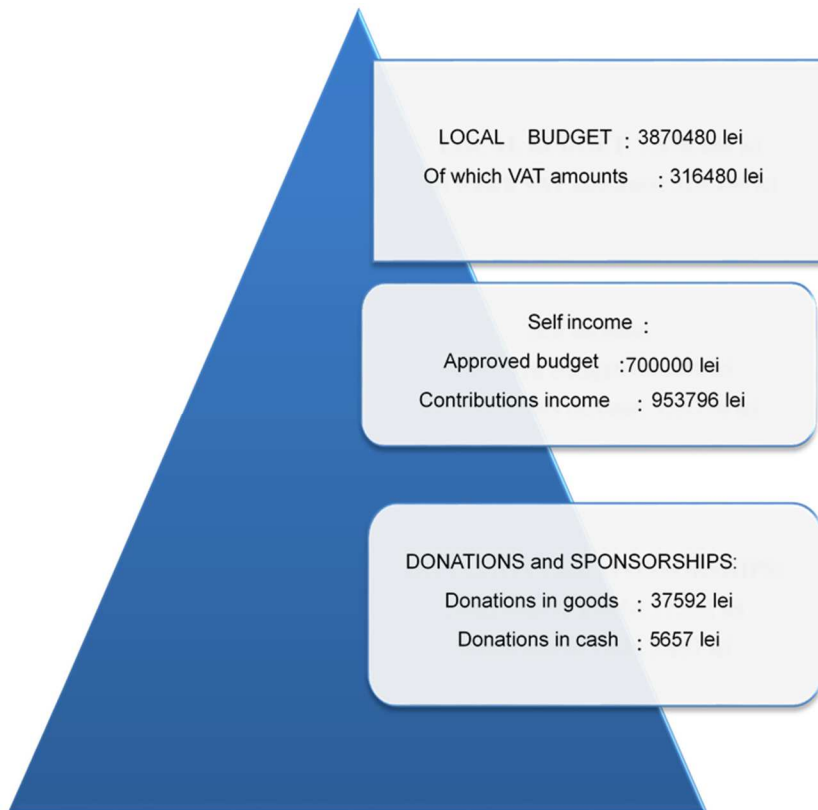
Unlike social benefits, services are closely linked to the community, involve direct contact between the assistant and a carer, and help to prevent or recover the abilities of those who can no longer provide themselves for their daily living. The care centre for elderly provides: basic services; support services; medical care services; recovery and rehabilitation services in medical and social field; legal counseling services and social and emotional care services.

## 3. Analysis of services costs

According to the Decision No. 978 of 16 December 2015 elderly people who have an income and are cared for in the center owe their monthly maintenance allowance up to

60% of their monthly personal income without exceeding the monthly average maintenance cost approved for each dormitory.

The difference to the full amount of the monthly maintenance contribution will be paid by the legal supporters of the elderly if they have a monthly income per family member higher than the minimum wage per country, guaranteed in payment, established according to the law. Elderly people with no income or legal supporters, do not owe the maintenance contribution, that being provided by local or county budgets, as the case may be.



**The expenditure situation at the end of the year 2017**  
(data from balance sheet at December 31, 2017)

**Minimum cost standard according to Decision 978/2015**  
**23.784 lei/year/beneficiary**

Food allowance according to Decision 903/2014 **16.6 lei/day**

Medium number of beneficiaries /2017= **139**

**Maintenance contributions cached in 2017 = 953796 lei**

**For beneficiaries evaluated as independent**

Staff expenditure - (BL)	2453795
Material expenditure (BL)	781947
Material expenditure (own revenues)	454535
<b>Total expenditures</b>	<b>3690277</b>

From total expenditures with beneficiaries  
 $3.690.277 : 139 = 26.549$  lei/year/beneficiary  
 $26.549 : 12 = 2.212$  lei

**For beneficiaries evaluated as semi-dependent**

Staff expenditure - (BL)	2726439
Material expenditure (BL)	781947
Material expenditure (own revenues)	454535
<b>Total expenditures</b>	<b>3962921</b>

From total expenditures with beneficiaries  
 $3.962.921 : 139 = 28510$  lei/year/beneficiary  
 $28.510 : 12 = 2375$  lei

**For beneficiaries evaluated as dependent**

Staff expenditure - (BL)	2726439
Material expenditure (BL)	781947
Material expenditure (own revenues)	494208
<b>Total expenditures</b>	<b>4002594</b>

From total expenditures with beneficiaries  
 $4002594 : 139 = 26796$  lei/year/beneficiary  
 $28796 : 12 = 2400$  lei

**Figure 1:** Minimum cost standard according to Decision 978/2015  
Source: Balance sheet at 31.12.2017

No . crt	Age groups	No. of beneficiari es centre 2016 DEC.	F	M	No. of admissi ons 2017	F	M	Transf ers/ Discha rges	Deat hs 2016	F	M
1	20-24	0	0	0	0	0	0	0	0	0	1
2	25-34	0	0	0	0	0	0	0	0	0	0
3	35-39	0	0	0	0	0	0	0	0	0	0
4	40-44	-	0	0	0	0	0	0	0	0	0
5	45-49	2	2	0	0	0	0	0	0	0	1
6	50-54	2	1	1	-	0	0	0	1	0	1
7	55-59	7	2	5	2	0	2	0	0	0	0
8	60-64	16	9	7	4	1	3	0	0	0	0
9	65-69	31	10	21	10	3	7	0	6	2	4
10	70-74	19	12	7	6	5	1	0	5	3	2
11	75-79	13	5	8	7	2	5	0	3	2	1
12	80-84	24	20	4	4	3	1	0	4	3	1
13	> 85	34	29	5	12	10	2	0	6	5	10
	<b>TOTAL</b>	<b>148</b>	<b>90</b>	<b>58</b>	<b>46</b>	<b>25</b>	<b>21</b>	<b>0</b>	<b>25</b>	<b>15</b>	<b>10</b>

**Figure 2:** Fluctuation on months and gender of beneficiaries; it is clear that **women become dependent on services at a higher age than men**; there are probably two reasons: greater life expectancy and better health.

Source: Centralized situation RCCE Arad

#### 4. Conclusions

The aging of the population leads to the need to increase the services provided to the elderly, also the costs of the services from the local budget.

I therefore consider that the cost / benefit reduction could be done in two directions:

Legislative changes: Development of alternative services, namely: home care, day care centers for semi-dependent people, so that the institutionalization to take place as late as possible and only to people who need 24/24 hours care and supervision. Granting disability benefit and care allowance to accompanied people and institutionalized people in public institutions (at present time, people with disabilities in public residential centers can not benefit of money rights) - cf Law 448 / 2006, art 58, paragraph 6 and

Reduction of direct expenses: Developing partnerships to reduce the number of employees and increase the number of volunteers; Outsourcing of services (eg. medical services and medical related services).

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Law No. 17/2000, Law on social assistance for the elderly

Law No. 292 of 20 December 2011 Social Assistance

Law 448/2006, the law on the protection and promotion of the rights of people with disabilities

## RELEVANCE OF ACCOUNTING INFORMATION IN CONSIDERING THE SOCIAL RESPONSIBILITY OF THE ORGANIZATION

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**Abstract:** *At present, accounting efforts have been extended to assessing the state of society and social programs, not for the satisfaction of any individual or group, but for the application of evaluation procedures in the allocation of resources to a better social welfare. In this paper we try to find the answer to the following questions: Is the accounting information relevant to the social responsibility assessment of the organization? What are the tools for measuring the degree of social responsibility achievement and what are the sources of information on which they are based? What are the characteristics and benefits of knowing and applying social accounting? The product provided by accounting is the information and, like any other product, in order to be accepted by customers, it must meet certain qualitative criteria, certain standards to satisfy the needs of the beneficiaries.*

**Keywords:** corporate social responsibility, accounting information, social accounting, social accounting matrix

**JEL classification:** M14, M40, M41

### 1. Introduction

Only the operations that affect the patrimony and which can be expressed in a monetary form are included in the scope of the accounting subject matter. This use of currency, as a way of estimation, has the advantage of allowing the combination of the value of very different, and thus inhomogeneous, objects into a homogeneous entirety of the organization. But this use of the currency as a measure of value is not free of inconveniences and from here devolve the limits for the accounting information system. First of all, the currency is not a measure of universal value, so it will be difficult and delicate to give a monetary expression to some events that are not related to the non-commercial, which are consequently ignored by accounting. But in the not too far future, under the incidence of applying this principle the elements that are not and do not seem to be quantifiable will have to be included, elements such as:

- the competence of the employees;
- the social performance of the organization;
- the managerial capacity of its leaders;
- the creativity capacity of a research team;
- the social climate;
- the degree of pollution;
- the quality of the environment in which the organization operates;
- the intensity of the restrictions imposed by the environment, etc.

In economically developed countries, we speak more and more about human resources accounting and environmental accounting, which requires changes in the structure of synthetic accounting documents.



## **2. The social accounting of the organization**

An important role in the history of social accounting was played by its inventor Richard Stone, who is also linked to the history full of difficulties in elaborating and perfecting the system of national accounts (SNA). The first reflections of Richard Stone and his collaborators on social accounting date back to the 60's, when national accounting recorded some progress, largely due to Stone himself.

At the same time, statistically evolved countries had gained a certain experience in the field of compiling accurate and reliable calculations for the main macroeconomic aggregates, and also in building national accounts, even if they were made independently, not being organized and coordinated within an economic system. This economic system is a philosophy on which the models of quantitative description of activities taking place in a national economy are based.

There is a close connection between social accounting and financial accounting, even if they have a different construction. The matrix formula on which social accounting is based allows the establishment of some connections between the financial and non-financial accounts of the institutional sectors and their presentation in a single picture of the national economy at a given time.

Social Accounting is a structure that organizes all flows of an economic system, expressed as values, in a coherent manner and an accounting perspective. The starting point in the construction of social accounting is the elementary flows representing the transactions that are carried out between the elementary economic subjects of an economic system. Considering that the fundamental purpose of national accounting is represented by the coherent description of a reasonable number of macroeconomic aggregates, a particularly important aspect refers to the aggregation of elementary flows up to the desired aggregation level. In order to achieve this operation, attention shifts from flows to subjects. These subjects are grouped based on two fundamental criteria, thus:

- who is the subject in question;
- what does he carry out a particular transaction for.

This way it is possible to obtain groups in which the subjects are regrouped in institutional sectors based on the importance of various subjects from the legal and social point of view, as well as in functions that refer to the behavior of these institutions when they are producing, consuming or saving. Each of these sectors or functions, running their own business, records both inputs and outputs as well. All these ways of analysis can be combined in a matrix in which, conventionally, the lines represent the inputs, and the columns represent the outputs.

## **3. The tools for measuring the degree of social responsibility achievement**

Matrix presentation is a tool that allows the full exploitation of the reliability of the system of national accounts. Thus, for example, it will be possible to analyze in more detail the existing relations between its social and economic aspects, and that in order to reach a social accounting matrix.

The social accounting matrix is defined as a presentation of accounts within a matrix that exposes in a detailed way the relationships between a resource and usage table and sectorial accounts. The main feature of this matrix is flexibility, in terms of the possibility of detailing or aggregating, depending on the purposes of the analysis, by the available data sources, by the statistical potential of the one building it. Of course, it is possible to develop only aggregates that characterize sectorial functions or aggregates. This flexibility makes this matrix very useful in the context of national accounting. At the same time, a social accounting matrix integrates revenue and

expenditure flows and input - output tables at a mesoeconomic level, it can serve as a model for estimating a wide variety of accounts.

The social accounting matrix method is particularly useful when one wishes to reconcile detailed information on international production and trade, with primary data coming from, for example, an enquiry on labor force, family budgets, or on investments by activity branches. Integrating a larger volume of primary data allows analyzing and tracking a larger number of aspects regarding the correlation relationships that they can generate. Also, the social accounting matrix allows us to know the existing relationships between the use of labor force and the distribution of income and the objectives of a macroeconomic perspective such as gross domestic product (GDP), balance of payments, price stability, etc.

The social accounting matrix also provides a coherent data frame for overall balance models regarding the economy entirety, which has detailed classifications of various agents, especially by branch of activity, by types of labor force and by subgroups of households. At the same time, the basic scheme of the system of national accounts is faithfully reflected by the social accounting matrix, the latter perfectly combining macroeconomic and microeconomic theory. The matrix of social accounting can be found in both the input-output table, and also the flows that allow detailed analysis of the process of distribution, redistribution and use of revenues, this facility being particularly important in the context of elaborating and substantiating macroeconomic policies regarding economic restructuring or some analyses of the mechanisms of formation and maintenance of national wealth and population welfare. As a sole accounting system, in which there are the transactions between agents, explicitly followed, the social accounting matrix has an additional recourse as the basis for a macro and micro level by the simple analysis and modeling of the multiplier. However, there are some important limitations that should be kept in mind by a new analyst. First of all, there is no final social accounting matrix because the framework is flexibly established around a standard basic structure. Detailed classifications should be chosen depending on criteria specific to each country in order to best reflect the organization. In order to be truly informative, the revenue record must be represented around the system, relatively detailed and complete, otherwise the content of the information will be constrained by the weakest in the chain. Secondly, it should be emphasized that it is not always possible to use data sets without a specific requirement to adjust the value. For example, because the national accounts are not always compiled, the enquiry data of the organizations, it is not easy to rationalize the two data sources, and this does not apply only to the expenses of the organizations, but also to their incomes.

#### **4. Conclusion**

In conclusion, the social accounting matrix represents an important tool of macroeconomic analysis and, at the same time, of substantiation of micro- and macroeconomic policy decisions. We can argue that, when an organization decides to invest in a certain community, to conclude contracts with business partners, to hire employees, they make promises, based on which the interested parties change their expectations and life plans. In this case, the management of that organization should take their interests into account in the same way that it considers the interests of the shareholders. From the perspective of business ethics, determining whether the interests of one or the other should prevail within a business organization would represent the solution to a problem. In the context of business ethics, the concept of an interested party can be extended to all those who are affected, one way or another, by

the activity of an organization. From this perspective, the parties interested in business organizations activity are not just the owners, the shareholders, but also the employees, the business partners, even the members of the community in which the organization operates.

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## CITY CLUSTER DEVELOPMENT: BAIJA MARE CITY CASE

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**Abstract:** *Cluster development is today an option for many economic structures, given its valences of integrating complementary activities and services into a coherent framework. More recently emerging in economic theory and practice, urban clusters aim at integrated urban development. The article presents a proposal to apply the new economic development model by setting up regional clusters between county residences in order to develop them by linking and completing governmental and non-governmental institutions, research-development centers and companies in order to attract European funds and implicitly to get out of the economic latency state. We used the Baia Mare case for this purpose.*

**Keywords:** urban development, city cluster, strategies

**JEL classification:** R51

### 1. Introduction. Urban development strategies

Cities, as a form of territorial administrative organization, are known for their economic power since ancient times. They developed as centers around which later rural areas were gravitated, which ensured the flow of agricultural and industrial products (Toynbee, 1979). This is how the megapolises, population concentrations and extremely beneficial economic activities originated, but which proved to be generating major shortcomings in time: increased pollution, difficult transport, high crime rate, and so on. Even if in Romania the megalopolis is not really a reality (maybe with the exception of Bucharest), urban agglomerations were felt immediately after the opening of cities after 1989. A World Bank report shows that "between 2002 and 2011, 1.1 millions of Romanians moved to the functional urban areas of Bucharest and to the 40 county residences. This move meant for them not only an increase in the standard of living, but also productivity "(BM, 2018)

The deficiencies encountered in the context of large urban agglomerations have made the internal migration of the population change its meaning: if during the flowering of the cities the rural population settled in the urban area for job opportunities, for higher incomes and, implicitly, for a better living, today, a large proportion of the urban population retreats to the outskirts of cities or even to rural areas, opting for less polluted, quieter and greener areas. Sometimes this migratory process can be seen as a form of protest "in the face of the changes and the abandonment of a society in which they do not find the place they would want" (Voicu, 2005 : 2).

One such tendency, visible today, is the decline in the importance of small and medium-sized towns, even county residences (as in the case of Baia Mare), due to their inability to recover after the collapse of the mono-industrial system before 1989 and the migration flow of the population.

## 2. City cluster development

The possibility of increasing economic competitiveness through the integration of several industries or services has been the objective of many economists and geographers (Audretsch and Feldman 1996, et al). This was followed by the integration of urban infrastructure and services in industrial clusters to create productive nodes in urban areas (Roberts 1997, Roberts and Lindfield 2000).

The conceptual framework of "clusters" was initiated by M. Porter (1990). "Clusters" are groups of companies and institutions co-located in a specific geographic region and linked by interdependence in the provision of a product group and / or related services. Cluster development is increasingly receiving global attention as a form of economic development strategy involving business clusters. Since it was initially proposed in 1990 by M. Porter, governments and academics have come to see this concept as a means of stimulating urban and regional economic growth. Although the types of clusters may vary according to the environment or the context in which we are interested in enhancing the competitiveness of the business, their main objective is to ensure complementarity in the horizontal economic and social development.

A new challenge for the development of industrial clusters is that: "In recent years, most industries associated to rapid urbanization are influenced by global forces that favor specialization and depend on widely dispersed networks rather than on linear processes like supply chains" (Choe, Laquian , 2008 : 8).

- Below are some examples of clusters that are working or are predominant in Romania:
  - Balneary cluster in the Center area, Harghita and Covasna, Mureș, Sibiu, Brașov and Alba counties, the region with the richest natural resources of therapeutic value and the very diverse factors that can be used for treating many diseases
- Tourist Cluster Bucharest – Brașov – Constanța, ideal for capitalizing urban, mountain and Black Sea tourism in all seasons of the year
- Educational Cluster Bucharest – Cluj-Napoca – Iași – Timișoara superior which aims at integrating and capitalizing on the educational experience of the four major university centers and increasing the quality of higher education
- Complex Cluster "Patrulaterul vestului" Oradea – Cluj-Napoca – Arad – Timișoara which aims to integrate transport, but also production and education infrastructure.
- Furniture Transilvania: <https://www.mobiliertransilvan.ro/>
- iTech Transilvania Cluster - Cluster for Human Resources Training in Advanced Technologies <http://itech.aries-transilvania.ro/>
- Transnational Cluster in Renewable Energy <http://www.trec-cluster.ro/>
- Cluster for a Sustainable Environment - CLEMS: <http://clems.ro/>
- Creative Industries Cluster of Transylvania

All these prove that there are both possibilities and availability in Romanian society and among local authorities to identify new ways of sustainable and competitive economic growth and development.

## 3. Baia Mare City case

Maramureș County is part of the Northwest Development Region of Romania, alongside Cluj, Bihor, Satu Mare and Salaj County, and the Baia Mare county residence is considered a development pole (alongside Oradea and Satu Mare), Cluj Napoca being a pole of growth.

An analysis of the current situation as the basis for a future development prediction of Baia Mare highlights several opportunities, but also numerous shortcomings. Opportunities:

- Opportunities for cross-border development, considering the proximity of the county with Ukraine and Hungary
- The existence of local traditions and customs known and appreciated in the country and abroad
- The existence of a significant forest exploitable area and numerous private exploitation and processing of wood

These opportunities can pave the way for conceiving cross-border clusters through consultations and analyzes with local authorities in the geographical proximity areas of Ukraine and Hungary.

Another viable perspective could be the development of a tourist-ethnographic cluster that includes all communities, institutions, manufactures and spaces with visibility from all over Maramureş County.

The realization of an agricultural and eco-tourism cluster can also be an opportunity, given the attraction of some agricultural producers alongside agri-food production units and gourmet event organizers who value this potential, to make it known and to attracts tourists from inside and outside the country. The preconfiguration of a modular regional cluster Baia Mare - Satu Mare - Zalău - Oradea - Cluj Napoca by identifying possible complementarities in the industry and services of the five major cities in the NW region of Romania is also a way out of anonymity and contribution consistent with the economic development of the area. All these possible solutions, however, are conditioned by the existence of a transport infrastructure that facilitates mobility, high quality living conditions (housing, water, air, waste management), an adequate educational infrastructure and a skilled workforce . Unfortunately, many of these conditions are missing as it results from the lack of color inventory.

Shortcomings:

- The precarious state of the economy, explained by lack of investors, lack of adequate business infrastructure, limited funding opportunities and difficult access to European funds
- Environmental problems, such as the pollution caused by former mining industries (copper, lead, gold) currently in storage or closed, inappropriate waste management, which leads to further abandonment of the city in favor of internal or external locations more promising
- Social problems deriving mainly from external migration of the population and aging and lack of skills of the remaining. This is accompanied by the loss of opportunities in the field of tertiary education as a result of the annexation of the North University of Baia Mare at "Babeş-Bolyai" University of Cluj Napoca, meaning that a large number of students, after completing their studies, are heading to Cluj where they find more favorable employment conditions on the labor market
- Poor quality of the urban, metropolitan, interurban, regional, national and international transport infrastructure, which condemns the city to isolation, rendering it unattractive to potential investors (Baia Mare Integrated Urban Development Strategy, 2017)

In other words, the opportunities are few and far, the shortcomings are numerous and generating risks.

Given the current risks faced by the city today, one of the viable strategies (maybe the only one) might be to "move" the city, leaving the location that abounds in minerals to a very low depth (a few centimeters) important source of pollution. At the same time, the

extraction area of these ores would be liberated, also providing jobs for the population, in a traditionally established activity in the area. In other words, it would be necessary to "overtake" the city, on other principles, on other development options, on other sites. It would have the chance to attract investors, real estate developers, to projects that should not adapt to a particular location, infrastructure, but to come up with creative, exclusive projects, which then associate the appropriate infrastructure. Undoubtedly, it would be an experiment, but an attractive and interesting one. Otherwise, it risks becoming an isolated city that will face depopulation, poverty and isolation.

#### 4. Conclusions

At present, medium-sized cities are facing the challenge of urban regeneration, which requires urban territory to overcome territorial urban relations, regional co-operation, resource allocation to better capitalize and, implicitly, ensure sustainable economic development.

There are many urban development strategies. Baia Mare's local administration must analyze all options and potential solutions to establish viable strategy so the city comes out of isolation and numbness. City cluster is one of these options, achievable in different variants. The analysis of the opportunities and risks that Baia Mare presents today highlights the possibility of realizing viable clusters, conditioned by removing the shortcomings that the city faces or turning them into opportunities. In this context, a broad consultation of the authorities with Romanian and foreign experts in the field of urban development, with researchers from different domains, as well as consultation of the population and its mobilization in decision making is necessary.

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# REFLECTIONS ON THE USE OF CREATIVE ACCOUNTING IN THE PRESENTATION OF FINANCIAL INFORMATION BY CONSTRUCTION COMPANIES

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**Abstract:** *The primary objective of financial accounting consists in transparent and fair presentation of the economic entities' patrimony and in provisioning of the necessary data for decision-makers. The different interests of a wide range of users of the financial statements have led to the development of a subjective side of how information is presented by accounting, a vast and comprehensive field whose theoretical and practical limits are endless. Accounting regulations often allow for alternative approaches to economic transactions and for the use of professional judgment in the choice of a specific accounting method. Thus, the concept of creative accounting was born, as a process of manipulating accounting information to serve the particular interests of one certain user. The purpose of this paper is to identify the main aspects underlying creative accounting in construction industry and the possibilities of limiting this phenomenon in order to restore the accounting function, that of mirroring the reality of the business environment.*

**Keywords:** accounting information, creative accounting, construction activity, fair presentation, financial statements, economic substance

**JEL classification:** M41, K34

## 1. Introduction

Construction industry is considered a key sector of any economy as it is a major provider of jobs and a basis for the development of other areas of activity. At European level, the construction sector is represented by 97% of small and medium enterprises (SME), being the engine of the economy. That is why our attention has been focused on this sector.

Accounting is primarily intended to provide necessary data and information on money events and processes, required to make investment decisions, to identify development opportunities or economic recovery.

The information provided by the financial statements is intended to reflect the fair image of the company's financial position, financial performance and cash flows and can fundamentally influence the choice of users on various decision-making levels. For this reason, they must be useful and therefore relevant and credible and must fairly present the processes and economic transactions, without errors or omissions. The economic literature presents the most important features that give the information relevance and credibility: comparability, verifiability, opportunity and intelligibility.

In accordance with the International Accounting Standard 1 (IAS 1) *Presentation of Financial Statements*, the notion of fair presentation is viewed from the perspective of the applied accounting policies, the quality of provided information and the additional



disclosures offered to users for them to understand entities' particular events and business transactions.

In international accounting practice, a number of factors can compete to alter the way accounting information reflects economic reality. These may vary according to the particular interests of the users. One of the most controversial occurrence in this direction is that of creative accounting, which is the subject of extensive debates in the economic literature of the last decades.

## **2. The notion of creative accounting in the economic literature**

The techniques of manipulating or modeling the financial statements presented by the economic entities in order to improve the company's image are known in European literature as creative accounting.

In the US, we often find the term *earnings management*, which includes two techniques for manipulating accounting information, according to Gunny (2010): on the one hand the modeling of information at the financial statements level, and on the other hand the adoption of operational decisions that may alter the structure or timing of economic transactions in order to influence their presentation to the users.

Blessing (2015) shows that such accounting practices began to appear with the industrial revolution at the end of the eighteenth century, but their use increased with the economic development, especially in the last decades of our century.

Creative accounting started to be used to influence the stock markets' investors by presenting distorted financial information about the profitability of listed entities in order to increase the price of their shares. The first studies and observations on this practices were motivated by the impact of the phenomenon on the stock markets in the Anglo-Saxon area. We think this is not a coincidence, given the orientation of the economic environment in the Anglo-Saxon countries towards this type of investments. In fact, in line with the 2010 International Accounting Standard Board (IASB) - *The Conceptual Framework for Financial Reporting*, the main users of the financial statements are the present and potential investors of the economic entities.

Naser (1993), quoted by Blake (2000), points out that the use of creativity in accounting is favored especially in the Anglo-Saxon accounting environment, because this system allows high flexibility of accounting policies and techniques and thus creates these types of prerequisites.

Groșanu et.al (2011) stated that the use of creative accounting techniques may be the result of poor management. When the entity is in an unfavorable financial position, there appears the temptation to manipulate the information in order to prevent the expectations of business partners or creditors and provide them with an improved image.

The level of economic knowledge and the characteristics of the entity's management structures affect the types of choices on which the presentation of accounting information is based, according to an analysis by Ferramosca (2018), but the nature of the influence of these factors is complex. However, the study confirms that the financial statements presented by companies whose management has higher financial knowledge are more transparent and less affected by manipulations.

Ciuhureanu (2009) bent on the reasons why the Romanian entities use creativity in the financial and accounting activity and showed that their motivation consists on the one hand in modifying the financial statements in order to obtain bank credits or other type of financing, and on the other hand, in the desire to improve the burden of taxation. In this way, creativity in accounting slides on the slope of tax evasion, a notion that has a

multitude of interpretations in the economic literature, being a condemned and punished action all around the world.

Although the creative use of accounting procedures is in line with the legal requirements, creating a distorted picture of the economic reality has raised a series of discussions about the morality and ethics of such operations, as well as the issue of identifying solutions to improve them.

### **3. Manifestations of creative accounting and some ways of limitation**

Based on Lungu (2010), for construction activity we identified two main causes that can facilitate the manifestation of creative practices in accounting as well as the main techniques used in the handling of accounting information.

Firstly, the accounting regulations enable entities to choose between different accounting policies and methods of assessing and recognizing transactions in the financial statements. The main creative accounting techniques in this case concern:

- The treatment of set-up costs
- The methods of depreciation of non-current assets
- The impairment of non-current assets
- The treatment of borrowing costs in terms of capitalization
- The measurement of inventories
- The recognition of the revenues from contracts with customers
- The recognition of government grants

Secondly, the flexibility of accounting referentials in the use of professional reasoning for accounting estimates may lead to a creative approach to:

- The estimates of provisions
- The assets' duration of use
- The estimates of future cash flows for valuation of elements
- The overestimation of the receivables collection rates or underestimation of debts

Since 2005, all listed companies in the European Union have been required to adopt International Financial Reporting Standards instead of their national regulations. According to Ecobici (2010), IFRS are used in around 100 countries around the world, either as such or through their own convergent accounting regulations.

One of the objectives of this attempt to standardize the accounting rules was reducing the ability of entities to use creativity in financial reporting by restricting the accounting methods and limiting the options on the used techniques. In this direction, giving up the concept of extraordinary activity, the imposition of the consistent application of the accounting policies (which cannot be easily changed from one period to the next), the stricter rules regarding the revaluation of the assets, but also the prevalence of the economic aspect on the transactions' form were considered. The International Accounting Standards Board (IASB) has among its objectives the identification of problems in accounting practice and the adaptation of accounting rules applicable to the needs of economic development.

Empirical studies by Barth et al. (2008) subsequently verified by Dimitropoulos et. al. (2013) state that the adoption of International Financial Reporting Standards has had a positive impact on improving the quality of the information presented in the financial statements.

#### 4. Conclusion

The development of the global economy leads to the emergence of complex economic transactions and requires different accounting methods and policies from one entity to another, even within the same economic field. For this reason, the process of uniformity in accounting techniques is complicated and the regulation cannot impose an identical practice. The reflection of the economic substance of activities implies a certain degree of flexibility in the adoption of accounting policies and thus leaves room for subjective approaches in accounting practice.

The limitation of creative accounting is generally addressed in the economic literature in terms of restricting regulations and auditing the financial-accounting activity, but in an increasingly evolving economy the flexibility of norms and rules in accounting is a necessity. That is why the reduction of the negative effects of creativity in accounting and the orientation towards efficiency and transparency of information should be seen first and foremost in conjunction with morality and ethics of the accounting profession.

The field of construction has an important role in the growth of the national economy, and in this respect, in later research we intend to identify the factors that influence the creative accounting practices in the presentation of the financial statements by the construction companies in Romania.

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# CONCEPTUAL APPROACHES TO PUBLIC GOVERNANCE. CORPORATE GOVERNANCE VS. PUBLIC GOVERNANCE

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**Abstract:** *This paper tries to define the concepts of corporate governance and public governance, to describe and analyze the most significant models while trying to answer the question What would be the most efficient model of corporate governance/ public governance? The article is structured in two parts, in the first part are presented conceptual explanations on corporate governance in the context of globalization, while in the second part there will be presented conceptual references regarding the public governance. From the content of this article the concept of corporate governance plays an important role in the business sector, which represents a central and dynamic aspect of economic reality and is increasingly present in many countries of the world. The concept of public government implies more than the provision of quality for public services, preserving the life and freedom of citizens and their participation in the decision-making process.*

**Keywords:** governance, corporate governance, public governance, public institutions, citizens, globalization

**JEL classification:** H83

## 1. Introduction

The concept of governance is not a new one, but it gains new valences with the increase in the complexity of economies and the development of civilization. Etymologically, the ruling word originates in the Latin *navigatio*, which is metaphorically defined as the activity of leadership, guidance and fulfillment of the objectives. In Romanian language, the term of government is taken from the French *gouverner*, with the meaning of leading, managing, governing a state or a people. Several studies have influenced the term governance and the theories which contributed to the development of this concept are varied (Badulescu and Badulescu, 2008).

## 2. Conceptual definitions of corporate governance in the context of globalization

The internationalization of the markets and the activities of enterprises determine the bigger or smaller companies to adopt measures in consequence, the process of globalization being a profound and irreversible phenomenon and in continuous expansion. Corporate governance systems differ greatly from country to country, and these differences directly affect both the development of global strategies and the types of strategies that can be adopted. Since the 1980s, globalization and computerization have brought a paradigm shift across the political, socio-cultural and economic world, causing dramatic changes in every part of human life. The paradigm

shift has led to substantial changes in corporate governance, causing active talks to date.

The term corporate governance is apparently new, being used about 20 years. As for the definition of the concept, there is no unanimously accepted definition, so I will try to make a brief summary of the most important terminological clarifications: A well-known definition is that given by A. Shleifer and R. Vishny stating that corporate governance refers to the way the suppliers of funds, the capital of a company ensure that they will receive the appropriate benefits, the profit, from the investment made (Shleifer and Vishny, 1997: 752).

Thus, most studies have defined corporate governance as a set of rules issued by the company's management, through which companies are run and controlled to use their resources economically and achieve maximum financial results. In 1996, Hawley & Williams made a review on corporate governance in the US as a documentary foundation. They have theorized the following theoretical sources theory: Agency Theory, Stewardship Theory and the Theory of Stakeholder (Haslina and Benedict, 2009: 89).

The concept of "corporate governance" has developed from agency theory (agent theory). This theory assumes that the one who owns the shares (the investor / shareholder) is not the same as the one running the business (manager / administrator). Between shareholders and managers is established a relationship of representation on a contractual basis: as shareholders, shareholders designate managers as agents to act in their own interest. The "Holder" possesses limited knowledge of competence, actions and the conflict of interests and informational asymmetry between shareholders and managers generates a series of ethical dilemmas for each of the two categories, both related to their relationships and to the approach of positions distinct relationships between each group and the other categories of stakeholders. The nature of these dilemmas differs, however, according to the dominant corporate governance model.

The foundations of the agency's theory can be found also in Adam Smith's writings: "you cannot expect those who administer the money of others to be as careful and caring as if it was theirs; waste and negligence are always present, more or less, in the management of business affairs" (Predescu, 2015: 73). After Adam Smith's formulation, it is understood that in its simplest form the theory of the agency limits the debate on corporate governance in the simple face-to-face between the shareholder and the leader, the former playing a leading role and the second acting agent, being only considered a manager of the money of others.

### **3. Conceptual clarifications on the public governance**

Large areas of the globe are characterized by what we call weak, fragile states, rapid economic decline. This weakness of the state, seen as a public government incapacity (to manage public affairs), should be distinguished from what some consider to be an alteration of the actions the nation-state can undertake in the context of globalization. Regarding the economist, here we can talk about a redefinition of the role of the state, whether as an assistant state or as a guardian of the regulations of economic life, "if in the US the emphasis falls on regulations and orders of the state addressed to the private sector, in Europe the public sector has a greater visibility". (Dănescu et al, 2008: 37)

Decentralization, delegation of attributions and responsibilities have generated both opportunities and vulnerabilities for local public institutions. This justifies the essential role of principles and good practices in the relationship between public, political and

citizen structures. The principles that govern the relationship between bidders and local public service users are: active participation of public service consumers in the development of decisions of common interest, promotion of the transparency of the governance process of the public institution, ensuring the efficiency and effectiveness of public service delivery, common good, consensus and equal treatment. According to Surendra Munshi cited by Dănescu, good governance is characterized by a participatory government that functions responsibly, transparently, based on principles of efficiency, legitimacy and consensus to promote citizens' individual rights and public interest in ensuring material welfare and development sustainable society (Dănescu et al, 2008: 42).

Good governance of local public institutions means more than delivering quality public services, means preserving citizens' lives and freedom, creating space for democratic participation and social dialogue, promoting sustainable local development and enhancing the quality of life. Creighton believes that citizen participation is the process of involvement in the public concern, where needs and values are embedded in substantiating governmental and corporate decisions. It consists of an interactive and communicative process in two ways, with the purpose of adopting well-accepted decisions by the public (Dragomir, 2012: 17).

In specialized studies, the concept of "citizen-centered governance" is often encountered, obviously based on the involvement of citizens in decision-making of public interest. Citizen participation in decision-making is an important step in modernizing local public institutions, rethinking the relationship between citizens and public institutions, delivering public services, combating poverty and social exclusion, and promoting social cohesion. Citizens involved in the decision-making process often have different conceptions of what governance means, often confusing and limiting legitimacy to the process of government. Public participation in decision-making must be constructive, promoting proximity between the governing bodies of the public institution and citizens. The public is not a passive actor, so it has to intervene, influence the management of public affairs.

The participatory process of citizens must be emphasized in the planning and forecasting phase of a project of local interest. In this sense, public institutions and local public administrations must create mechanisms for early participation. The quality of citizen participation is enhanced by the knowledge and experience with which the people involved in the decision-making process are endowed. According to the functionalist approach, participation is seen as a process of obtaining all knowledge relevant to the problem analyzed in the process of making and implementing decisions. Employing more than one author in decision-making is the cornerstone of a governmental style based on promoting society's priorities, coherence and responsibility (Dumitrascu et al, 2012: 76).

In the case of Romania, the experience of past years in public institutions reveals the absence of citizen involvement in the process of substantiating decisions of general interest. The only form of expression of citizens' interests is vote. However, there are other forms of community involvement such as debates or public meetings, public opinion surveys, etc. As a result of a study conducted by the Assistance Association and Programs for Sustainable Development (2006) regarding the implementation of the decisional transparency law at the level of the local public institutions, it was found that only 14% of the interviewed persons initiated cooperation with the local public authorities through the participation at a public hearing or issuing recommendations. So we could conclude that the Romanian citizens are very reluctant to get involved in the local decision-making process.

In the context of globalization and the increased dynamics of the needs of the members of society, we consider it essential to depoliticize the decision-making process, to minimize the influence of the governing structures and to emphasize the practices of active participation of citizens in the elaboration of general interest decisions. A society based on the principle of equality is a society that equally promotes citizens' freedoms and aspirations, recognizing that people's needs and goals are different, and which strives to eliminate the barriers that limit their freedoms and aspirations. Respecting the principle of equality is therefore a useful tool in combating those discriminatory institutional processes at the level of public institutions. In order to successfully solve the problems related to the discrimination of the disadvantaged groups, a necessary condition at the level of the public institution is the knowledge of the community itself, the identification of the main groups, their classification according to type or localization. It should be taken into consideration the diversity of the public categories, services offered to the general public, different levels of activity and experience in the field of equal opportunities, as well as the local context (Morariu et al, 2006: 32).

In terms of equal opportunities, it can be seen in two aspects, namely equal opportunities promoted within the public institution and equal opportunities in the relations of the public institution with the persons served. In the relationship between the public institution and the citizens, the principle of equal opportunities has another contour. In this approach, equality refers to the manifestation of the same treatment in public policy making and the provision of public services to the public. The principle of equality is the cornerstone of a modern governmental style within local public institutions, contributing to improve the degree of satisfaction of local public services.

It is strongly believed that public institutions in Romania should pay greater attention to promoting equal treatment in the process of substantiating and implementing local public policies, and their goals must not only stop to meet the general interest of the community. Public governance in the light of the principle of equality and non-discrimination means more than that, it means identifying and solving the inequalities of disadvantaged groups in order to promote social peace (Raileanu et al, 2011: 54).

#### **4. Conclusions**

Regarding the question from the beginning of the article, *What would be the most efficient model of corporate governance/ public governance?* we can state that there is no certain model but they are both effective if applied correctly. This aspect can be seen in the private sector and in the public one too due to the investments made in this field.

The corporate governance concept emerged and developed in the last century, influenced by economic environments based on family ownership, institutional investors, anonymous companies, banking capital, intense financial scandals or times of crisis, which had the effect of identifying ways of improving the concept, so that it corresponds to the new stages in economic evolution.

All in all, corporate governance, in a brief definition, means the set of rules by which a company is run and controlled. Governance practices are linked to the concept of an enterprise, once the separation between the different parties involved in the firm's business and those of the rights-holders on the entity, as well as those involved in the processes of the entity concerned.



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## THE PORK MEAT SECTOR IN ROMANIA

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**Abstract:** *The pig farming sector occupies an important place in the world economy sector, pork being the most consumed animal protein around the world. While the world population is growing at a fast pace, so does the need for pork meat in certain regions. The pork meat sector is the largest and the most important livestock production sector, in the European Union and inclusively in Romania. Pork meat is the most sought after in Romania, covering almost half of the consumption of the annual meat consumption per capita in the country. The pork meat sector in Romania cannot satisfy the internal demand for pork meat products therefore, Romania has to import significant quantities of both live pigs and pork meat products each year in order to satisfy the local pork meat demand.*

**Keywords:** pork import; pork export; pork meat; pig farming; swine meat;

**JEL classification:** Q10; O13;

### 1. Introduction

The pork meat is the most consumed animal source of protein around the world. The global demographics of pig production are transforming, alongside with the globalization process and, due to the increasing incomes of the developing countries. (FAO, 2013)

The pork meat consists an important food source in all parts of the world, representing about 40% of the total meat consumption and ranking first among all other meat sources around the world. The high nutritional value and the variety of processing and cooking methods available worldwide makes the pork meat a world favorite. (McGlone & Pond, 2002)

The pork meat is the most popular meat in Romania, representing over half of the annual meat consumption per capita in the country. (Ionel 2015)

Romania has a long tradition in the pig farming sector, not only at household levels but also in the industrial sector. While over approximatively 30 years ago Romania registered an average pig production of 18 to 19 million heads per year, after the year 1989, the production sector has registered a downfall, with many of the pig farms going out of business or privatized. (Soare et. al. 2015)

While the Romanian pig farming sector is registering a continuous downfall trend, the farmers are struggling with poor pig production performances, lack of efficiency and high production costs. Moreover, many of the pigs are being raised in the rural environments for household consumption, therefore being exposed to epidemics and diseases. (Hoste, 2015)

In the year 2007, Romania was banned from exporting live pigs due to the Classical Swine Fever but the interdiction was lifted in October 2016, and later in May 2017, the World Organization for Animal Health declaring Romania is free from the Swine Fever, but shortly after in 2018, Romania's pig production sector was hit by the African Swine Fever. (McCullough, 2017)

The European Commission describes the African Swine Fever as being a devastating and infectious deadly disease that affects the pigs. At present, there is no vaccine that can counter the virus. The virus does not affect human nor other animals excepting pigs and wild boars. The virus is being transmitted either via direct animal contact or via contaminated foods. (European Commission 2018)

In 2017, the Romanian ministry of agriculture said that the current pig production represents only 45% from the total pig consumption of the country. (Rotaru 2018)

## 2. Material and Method

The main purpose of the present article is to analyse the pork meat sector in Romania by using official data regarding the production, imports and exports of live pigs and pork meat products.

The empirical data used for the article were taken from official sources, respectively from the Food and Agriculture Organization of the United Nations, FAO, Eurostat and the International Trade Center, Trademap.

## 3. The Romanian pork meat sector

In order to analyse the Romanian pork meat sector we have decided to compare the live pigs population and the pork meat production and the total imports and exports of live pig and pig meat products for the period of time 2015 - 2017.

The pig population represents the number of live pigs at the end of December and is measured in number of animals.

The slaughtering in slaughterhouses represents the quantity of swine meat obtained by slaughtering pigs in slaughterhouses.

**Table 1:** Romania's pig production and livestock

Indicator	Unit	Year		
		2015	2016	2017
Pig population	Thousand Head animals	4926.90	4707.70	4406.00
Slaughtering in slaughterhouses	Thousand Tones	330.47	3370.3	327.98

Source: Eurostat and FAO

By analyzing Table 1, we can see that the live pig population at the end of December for the Romanian pig sector was 4926.90 thousand heads in the year 2015, 4707.70 thousand heads in the year 2016 and 4406.00 thousand heads in the year 2017.

The total annual production of pig meat produced in slaughterhouses was 330.47 thousand tones in the year 2015, 337.03 thousand tones in the year 2016 and 327.98 thousand tones in the year 2017.

We can see a descending trend regarding the pig live pig population from one year to another.

By comparing the year 2015 with 2017, we can see that the number of live pigs has decreased by approximately 10.57% but the quantity of meat produced in slaughterhouses has decreased only by 0.75%.

**Table 2:** Romania's imports and exports of live swine and pig meat products

Product	Unit	Year			
		2015	2016	2017	
Live Swine	Import	Quantity, Tons	43628	35715	32662
		Thousand Euro	84363	77945	85801
	Export	Quantity, Tons	226	1318	509
		Thousand Euro	481	1789	609
Meat of swine, fresh, chilled or frozen	Import	Quantity, Tons	188689	196966	232387
		Thousand Euro	395493	343593	479691
	Export	Quantity, Tons	17890	29422	32604
		Thousand Euro	34860	49039	55078

Source: International Trade Center, Trademap

By analyzing Table 2. we can see that Romania imported massive quantities of both live swine and swine meat products compared to the exported quantities.

In the year 2015, Romania imported 43628 tons of live swine worth of 84363 thousand euros and 188689 tons of swine meat products worth of 395493 and exported only 226 tons of live swine worth of 481 thousand euros and 17890 tons of swine meat products worth of 34860 thousand euros.

In the year 2016, Romania imported 35715 tons of live swine worth of 77945 thousand euros and 196966 tons of swine meat products worth of 343593 thousand euros and exported only 1318 tons of live swine worth of 1789 thousand euros and 29422 tons of swine meat products worth of 49039 thousand euros.

In the year 2017, Romania imported 32662 tons of live swine worth of 85801 thousand euros and 232387 tons of swine meat products worth of 479691 thousand euros and exported only 509 tons of live swine worth of 609 thousand euros and 32604 tons of swine meat products worth of 55078 thousand euros.

By comparing the quantity and value of the total imported swine products from year 2015 to 2017 we can see that all though the quantity of imported live swine decreased from 2015 to 2017 by 25.13%, the value of the imports increased by approximately 1.7%. Also, from 2015 to 2017, the quantity of swine meat products increased by 23.15% while the total value increased by 21.28%.

#### 4. Conclusion

The pork meat sector in Romania is struggling to satisfy the internal demand for swine meat products, therefore, the exports for both live swine and meat products registered low values compared to the volume of the imports.

In the past, Romania was able to satisfy the pig meat demand for its inhabitants, but, at present, the country needs to import significant quantities of swine meat, in different forms, such as fresh, chilled, frozen products.

Romania also imports live pigs which are used for breeding or slaughtered.

The low value of the exports can also be linked to the fact that the farmers are being discouraged to produce live pig and pig meat for export, taking into account that in the recent years Romania facing different restrictions regarding the export of live pigs and pig meat in the European Union due to the diseases that are affecting the Romanian pork sector.

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## OLIGOPOLY AND GAME THEORY

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**Abstract:** *Oligopoly theory deals with the fundamental economic problem of competition between two or more firms on the market. Cournot and Bertrand oligopolies constitute the two most prevalent models of firm competition. The main objective of this paper is to analyse the Cournot and Bertrand oligopolies from game theory (a theoretical) perspective and to provide a comparison between the two models. The paper is divided into four sections: introduction, part two which presents the types of oligopoly used in Game Theory: Cournot oligopoly and Bertrand oligopoly, the third part presents the Cournot – Bertrand competition, and the last part, the conclusions of the research.*

**Keywords:** oligopoly theory; game theory; Cournot model; Bertrand model; Cournot-Bertrand model

**JEL classification:** D01; D43; C70; C72; C79

### 1. Introduction

An oligopoly is a market structure between monopoly and perfect competition, in which the market is completely controlled by only a few number of firms producing the same or homogeneous productions. If there are two firms, it is called a duopoly while if there are three competitors, it is known as a triopoly.

Wang and Ma (2013) defined the oligopoly as a market structure between monopoly and perfect competition, in which the market is completely controlled by only a few number of firms producing the same or homogeneous productions.

Oligopoly is a market having few firms (but more than one firm) on the supply side and a very large number of buyers on the demand side, each of whom makes a negligible contribution to the market demand function. A buyer will take market conditions as given, for he cannot affect them, but a seller will inevitably be preoccupied with guessing the behavior to be expected from rival sellers. Furthermore, in a market that will continue in operation for a long time, an oligopolistic firm will naturally be concerned with how its present actions may influence the behavior of its rivals in the future. (Friedman, 1983)

The specificity of this type of market structure can be realized with the help of the game theory. Game theory is a branch of applied mathematics that is used in the social sciences, most notably in economics, as well as in biology (particularly evolutionary biology and ecology), engineering, political science, international relations, computer science, social psychology, philosophy and management. Game theory attempts to mathematically capture behaviour in strategic situations, or games, in which an individual's success in making choices depends on the choices of others. The behavior of one player inevitable influences the other players' behavior. To maximize their profits, each oligopolist is likely to be aware of the actions of the others (Bai, Gao, 2016).

Game theory is the logical analysis of situations of conflict and cooperation. In 1991, Myerson defined game theory as the studied of mathematical models of conflict and cooperation between intelligent rational decision-makers. Game theory provides general mathematical techniques for analysing situations in which two or more individuals make decisions that will influence one another's welfare.

Game theory studies the modality in which rational individuals act during conflicts. This theory emphasizes the significance of the rationality hypothesis within which the individual satisfaction is directly determined by the other agent's decisions and it defines solutions for different conflictive situations. The economic actors have distinctive behaviors on the market which generate distinctive consequences depending on the number, relative size and strategies adopted by the other economic actors.

The games theory can be used by economists to predict how firms will react in a number of given scenarios. It is used mainly when dealing with oligopoly to explain why firms may collude and furthermore why they may later decide to abandon any agreement to collude (Osborne, Rubinstein, 1994).

## **2. Types of Oligopoly Used in Game Theory**

Competition among firms in an oligopolistic market is a setting of strategic interaction, and is therefore analysed within a game theoretic framework. Oligopoly theory deals with the fundamental economic problem of competition between two or more firms.

Cournot oligopoly and Bertrand oligopoly are the two most notable models in oligopoly theory. Formal analysed of oligopoly has focussed on this basic models (Cournot and Bertrand). Augustin Cournot (1838) described an industry where a few firms that served many consumers competed based on the quantity of output they produced. Each firm's output decision was made independent of and simultaneous to the other firms' decision.

In Cournot competition, industry output is lower than the socially efficient level, and consequently, equilibrium price will exceed marginal cost, allowing the few firms sharing the market to reap sizable profits. Cournot analysis assumes that a firm determines its sales while price is determined by some unspecified agent so that market demand equals the total amount given. In the Cournot model, firms control their production level, which influences the market price, while in the Bertrand model, firms choose the price to charge for a unit of product, which influences the market demand.

Later, Bertrand (1883) changed the strategic variable from quantity to price. Bertrand competition assumes that the firms produce homogeneous products at a constant marginal cost and that they react to price changes of other firms. This helps to illustrate the price wars that exist in many oligopolies today, and the strategies that management will undertake to eliminate the perception that the firms' products are identical; in other words, investing into product differentiation will allow the firms to set prices above marginal cost. Bertrand analysis assumes that a firm determines the price at which it sells its output with firms being absolutely obligated to immediately meet the resulting customer demand. (Judd, 1996).

## **3. Cournot – Bertrand Competition**

The oligopoly structure can be characterized by an economy with two firms (players) producing the same good, both firms choosing their respective production to maximize their profit. Because the profit of each firm depends on its production as well as the

production of the other firm, the situation is game theoretic. Each firm needs to correctly anticipate the behaviour of the other firm (Ueda, 2018).

A large amount of the literature deals with Cournot or Bertrand competition in oligopolistic market (Zhang, Ma, 2012), but there are only a considerably lower number of works devoted to Cournot-Bertrand competition, which are characterized by the fact that the market can be subdivided into two groups of firms, the first of which optimally adjusts prices and the other one optimally adjusts their output to ensure maximum profit (Naimzada, Tramontana, 2012).

Bertrand competition is a model where firms compete on price, which naturally triggers the incentive to undercut competition by lowering price, thereby depleting profit until the product is selling at zero economic profit. Cournot competition is a model where a firm competes in the oligopoly market on quantity, maximizing profit given what it believes the other firm(s) will produce. Profit for the firm is maximized by setting its marginal revenue equal to marginal cost and determining its quantity relative to its rival. There is no competition on price here.

Cournot-Bertrand model exists in realistic economy. For instance, in duopoly market, one firm competes in a dominant position, and it chooses output as decision variable while the other one is in disadvantage, and it chooses price as decision variable in order to gain more market share. As we have known so far, Bylka and Komar (1976) and Singh and Vives (1984) are the first authors to analyse duopolies, where one firm competes on quantities and the other on prices.

Singh and Vives (1984) show that Bertrand competition is more efficient but less profitable for firms than Cournot competition when goods are substitutes.

Therefore neither model is necessarily "better." The accuracy of the predictions of each model will vary from industry to industry, depending on the closeness of each model to the industry situation.

Under the Cournot model, where firms compete by strategically managing their output quantity, firms enjoy positive profits as the resulting market prices exceed that of the marginal costs. On the contrary, the Bertrand model, in which firms compete on price, predicts that a duopoly is enough to push prices down to the marginal cost level (Nadav, Piliouras, 2010).

In Bertrand's model a firm changes its behavior if it can increase its profit by changing its price, on the assumption that the other firm will not change its price but the other firm's output will adjust to clear the market. In Cournot's model a firm changes its behavior if it can increase its profit by changing its output, on the assumption that the output of the other firm will not change but the price will adjust to clear the market. If prices can easily be changed, Cournot's model may thus better capture firms' strategic reasoning. If capacity and output can be easily changed, Bertrand is a better model of duopoly competition. If output and capacity are difficult to adjust, then Cournot is generally a better model.

#### **4. Conclusion**

In this paper is proposed an analysis of the most important types of oligopoly. Cournot's model of strategic interaction between competing firms has become the primary workhorse for the analysis of imperfect competition, and shows up in a variety of fields, notably industrial organization and international trade. Meanwhile, Bertrand argued to change the strategic variable from quantity to price. Firms producing a homogeneous good were assumed to set prices and produce to meet any demand of the market. Firms can compete on several variables, and levels, they can compete based on their choices of prices, quantity, and quality. Previous theoretical studies



show that technological and institutional forces can make it profitable for firms within the same industry to choose different strategic variables.

In conclusion, the Cournot-Bertrand model has several interesting qualities and is receiving renewed interest in the literature. The Cournot-Bertrand game models under different marketing environment need to be considered, and it will be an interesting topic for future study.

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## CONTEMPORARY CRITICISM OF CORPORATE BEHAVIOUR

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**Abstract:** *Nowadays, corporations play an important role in the economic, social and political life. During the last century, they contributed to the economic and technological development of our world. We may say that this evolution led to a better wellbeing, which means more wealth, more speed, more options, more freedom and spare time. They have brought mankind, things without which we couldn't imagine our existence: planes, communication means, computers, pharmaceutical products etc. But at what price? And who is going to pay it? Over the last decades, people and organizations were getting worried about the negative impact that corporations might have on their lives (and the next generations' live) from an economic, social and environmental perspective. This paper is focused on corporate dominance and its aim is to bring into light the main critics of corporate behaviour classified according to different criteria.*

**Keywords:** corporations, criticism, sustainability, behaviour, negative impact

**JEL classification:** Q01, M14, G30

### 1. Awareness of corporate dominance

The corporate power and its concentration issues are not new ideas. Books and papers were written on the topic and documentary films were made during the last decades. Since 1995, Korten was focused on corporate power (1995, 1999, 2006) along with other authors like Anderson & Cavanagh (2000), Domhoff (2009), Bakan (2005) etc. who expressed in their papers, the worries, the critics and arguments against it.

The power wielded by corporations is enormous and unprecedented in human history (Sun Beale, 2009). Using the data from World Bank and Fortune 500 publication, we concluded that in 2017, the annual revenues from the top ten USA corporations were more than \$2.3 trillion. Walmart topped the list as the biggest revenue-producing corporation in the USA with over 500 billion \$ (which is more than the GDP registered by 169 countries, including Ireland, Austria, Norway, Thailand etc. and more than the aggregated GDP of the bottom 77 countries in the world) and the biggest employer with approx. 2.3 mil employees (according to worldometers.info, that is more than the entire population of countries like Estonia, Cyprus, Slovenia, Latvia and more than other 80 countries and depended territories in the world).

Corporations also wield power more directly via their lobbying efforts (Sun Beale, 2009). According to OpenSecrets.org, since 1998 (till 2017) General Electric has spent over \$357 million on lobbying, while The U.S. Chamber of Commerce has spent over 1.4 billion, more than twice the amount of any other corporation. By far, the pharmaceuticals/health products industry is the top spender on lobbying (more than \$4 billion) followed by the insurance sector (\$2.7 billion).

## **2. Classification of harmful effects**

### **2.1 Research methodology**

The goal of this research is to identify the main criticism regarding corporate behaviour (if they exist) and group them under different categories, depending on the type of harm they caused. For this, we collected data from external secondary data research (books, documentary films, other journalist and scientific articles/studies on the subject) and created some criteria in order to classify the results obtained. The hypotheses are: 1. There are no criticism against corporations and their behaviour/ none that is actually meaningful or are not sufficient in order to create a classification; 2. There are several arguments against corporate behaviour and sufficiently heterogeneous in order to create a classification. In case the hypothesis 2 is confirmed, answering the following questions will make the foundation of the research: Who is criticizing? What's the nature of the „harm” made by the corporations? The nature of research is exploratory and the method is qualitative, consisting in analysing the content of different types of studies and researches. The main boundary of the research is the limited time and number of studies researched; a larger number of references could help in identify more perspectives, points of view, arguments in order to create a wider classification.

### **2.2 Research results regarding the main criticism of corporate behaviour**

The corporations are enormously powerful and their conduct often causes significant harms both to individuals and to society as a whole (Sun Beale, 2009).

The people who is criticizing corporate behaviour are mainly scholars, economists, ecologists, workers, NGOs, small enterprises etc. In order to have a systematic view, we tried to classify the harmful effects of corporate behaviour taking into account 3 criteria: nature of harm, spread of harm effects and dimensions of harm effects.

#### **2.2.1 Nature of harm**

- Social - for workers: unemployment, union busting, factory fires, underpaid jobs, child exploitation, tough work conditions; for the population: health issues (as effect of pollution, food, chemicals or work conditions), social inequality expansion (Bakan, 2005);
- Economic - making competition imperfect, distorting the economic process and obtaining a “monopoly rent” by internalizing the market (Fieldhouse, 2000); encourage economic inequality; concentration of global wealth in hands of only a few people called „corporate elite” (Dumhoff, 2008) ; the use of fraudulent accounting practices; Enron, Dynegy, WordCom, and Global Crossing are only a few of the corporations who had this type misconduct that led to massive losses (Giroux, 2008); encourage excessive consumerism (Bakan, 2005)
- Environmental - to the environment: dangerous products, toxic waste, pollution, synthetic chemicals; to the animals: habitat destruction, factory farming, experimentation; to the biosphere: harm to the biosphere: clear cuts, CO2 emissions, nuclear waste (The corporation, 2003).
- Political: Encourages corruption (ex: bribes to government officials)(Porter, 2012); governments who defend the right of the corporations against their own
- people or even worse, being powerless; donations to candidates is often seen as buying influence (Powel, 2014).

### 2.2.2 Spread of harm effects

- National - Local disasters and isolated cases; e.g.: Chevron is responsible for widespread health problems in Richmond, California, where one of the largest refineries produces oil flares and toxic waste in the Richmond area. As a result, local residents suffer from high rates of lupus, skin rashes, liver and kidney problems, tumours, asthma etc (Rothe & Kauzlarich, 2016).
- International – e.g Human right violation (for example, Coca Cola company has been known for the abuse of workers' rights and water privatization in several countries: Colombia, India, US) (laborrights.org)
- Global – e.g Climate change: Oil, coal and gas companies are contributing to most carbon emissions, causing climate change; The climate crisis has been caused largely by just 90 companies, which produced nearly 2/3 of the greenhouse gas emissions generated since the dawning of the industrial age (Chevron, British Coal Corp, Shell etc.) (theguardian.com).

### 2.2.3 Dimensions of harm effects

- Quantifiable - For some of the environment disasters, the harm can be measured taking into account the number of casualties, the period of time that took in order to repair the damage, the ecological footprint etc. For example, the Exxon Valdez disaster led to the spilling of approx. 11 million gallons in the narrows and several surrounding beaches. Immediate effects included the deaths of 100,000 to as many as 250,000 seabirds, at least 2,800 sea otters, approximately 12 river otters, 300 harbour seals, 247 bald eagles, and 22 orcas, and an unknown number of salmon and herring (Sutton & Bryan, 2012)
- Non-quantifiable - Some of the long term effect of corporate behaviour cannot be measured. For example, we cannot measure, at least not yet, the effect of child exploitation from a physical and psychological health point of view.; also, we cannot measure the impact that chemical in our food have over our health (life expectancy, infertility, diseases etc.); It's also difficult to measure how technological development (e.g. robots) will impact in the future the unemployment rate or social wellbeing.

## 3. Conclusion

Large corporations are both praised and abominated. On one hand, they create jobs, open up borders through trade, introduce scientific and technological breakthroughs, and provide products and services that make our life easier. On the other hand, not a few are the ones who think that the corporations undermine the will of people, encourage corruption and economic inequality, ruin values and culture, finance oppressive regimes and don't have any respect for the environment. The main concern remains on how to measure their impact (negative and positive) and see how the balance scales (Baulescu et al, 2018). If on long term, the benefits and positive outcomes are truly greater than the negative impact, we have to identify the ways to deal with their undeniable imperfections. Future areas of research on this topic could be to identify more harms, imperfections and critics and to create or identify other criteria for classification (e.g. size of harm, ethical and psychological perspectives).

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# STUDY REGARDING THE CUSTOMER SATISFACTION AND CONFIDENCE ANALYSIS BY THE IMPLEMENTATION OF QUALITY MANAGEMENT SYSTEM IN S.C. APULUM S.A.

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**Abstract:** *The issues approach in this research show the importance of certain criteria with respect to customer satisfaction and confidence. These criteria help to improve the quality management system. The purpose of this paper is to analyse the customer satisfaction and confidence due to the implementation of a quality management system based on ISO 9001 in a porcelain factory, named S.C. Apulum S.A. The analysis of customer satisfaction and confidence was achieved by taking into account certain measurable criteria established in the company considered, criteria that have been introduced into a formula. The results and the conclusions shows that there were several variations in the period considered (2010-2017).*

**Keywords:** Quality Management System, ISO 9001, Customer satisfaction.

**JEL classification:** L00, L15

## 1. Introduction

The quality management system is an imperative of progress and a tool for the development of any factory, regardless the field of activity. Companies "have been forced" to open their doors to the culture of quality, which is often associated with the international management standard - ISO 9001 (Santos, Costa & Leal, 2012).

ISO 9001 describes the requirements of a quality management system (QMS) that needs to be implemented consistently so that the companies can produce the products according to customer's requirements, achieve customer's satisfaction, and achieve continual improvement on the effectiveness of their QMS (Sumaedi & Yarmen, 2015). It can be applied in different kinds of organizations all over the world (Ingason, 2015).

There are lots of benefits resulting from the implementation of a QMS based on ISO 9001 in a company. The most important are: attract new customers; increase exportation; increase productivity; improve the company's image in the market; improve the quality of the products and/ or services; cost reduction and reduction of the customer audits. Also, there are others important aspects, such as: decrease the rate of incidents; non-conformities and complaints; increase the profitability; improve the use of time and resources; clear definition of responsibilities; improve the work environment; increase customer's satisfaction and confidence; improve the understanding of customer's needs and expectations; increase sales (Santos, Costa & Leal, 2012; Priede, 2012). This paper approach a study case based on the degree of the customer satisfaction and confidence in S.C. APULUM S.A. through the

requirements of a QMS in accordance to ISO 9001. This aspect represent an important step regarding the improvement of the QMS in the company considered.

## 2. Presentation of the S.C. Apulum S.A. Company

The company considered in the case study is S.C. APULUM S.A., it was founded in 1970 in the city of Alba Iulia. It is the largest porcelain manufacturer in Romania and also in South-Est Europe, with a variety of production: household and HoReCa articles on porcelain; decorative objects; frills.

Sustainable development of the company and its competitiveness are directly dependent on the proper functioning of the QMS. Certification of QMS according to ISO 9001 can help to maintain a long trusting relationship with consumers (Lukichey & Romanovich, 2016). Therefore, S.C. Apulum S.A. implemented, certified and maintained up to now a QMS since 1998 according to ISO 9001:1994. In 2017, the company was recertified in accordance to ISO 9001:2008 and in 2018 took place the surveillance audit with transition on ISO 9001:2015 (<http://apulum.com/index.php/ro/despre-noi>).

## 3. Case Study – Customer Satisfaction and Confidence

The *purpose* of this research is to identify the degree of customer satisfaction and confidence in the company considered by using specific criteria in the activity field of S.C. APULUM S.A. (Table 1). The company’s clients are both internal and external, aiming their satisfaction and confidence during 2010 - 2017.

The *research methodology* is based on brainstorming technique. It is a group or individual creativity technique by which efforts are made to find a conclusion for a specific problem by gathering a list of ideas spontaneously contributed by its member(s). The term was popularized by Faickney Osborn in the 1953 book *Applied Imagination*. Osborn claimed that brainstorming was more effective than individuals working alone in generating ideas, although more recent research has questioned this conclusion (Litcanu, Prostean, Oros & Mnerie, 2015). The criteria applied in the study case as well as their possibilities of interpretation are shown in Table 1.

Every possibility of interpretation has a unique score. In order to find the customer satisfaction and confidence degree, the criteria mentioned above are applied for all (internal and external) customers, individually, obtaining a score for each criterion, for each internal/ external customers. Then, an average for each criterion is calculated for all internal/ external customers considered in the case study. After that, the average obtained is used in a formula in order to calculate the degree of customer satisfaction and confidence.

**Table 1:** The criteria taken into account in order to identify the degree of customer satisfaction and confidence and their possibilities of interpretation

Criteria	Possibilities of interpretation
Evolution of clients business	$\Delta > 0$
	$\Delta \approx 0$
	$\Delta < 0$
Duration of coloboration	Over 10 years
	Over 7 years
	...
	0 years

Criteria		Possibilities of interpretation
Questionnaire	Relationships with competing firms	Yes
		No
	Weight value of Apulum's products/ client business	100%
		75 ÷ 100%
		50 ÷ 75%
		25 ÷ 50%
		0 ÷ 25%
	Client forecasts (Collaboration with S.C. APULUM S.A.)	Very good
		Good
		Weak
		Very weak
		Without collaboration
	Advertising for S.C. APULUM S.A.	No
		Yes
Complaints		No
		Yes
Constant orders		monthly
		Over 8/ year
		Over 4/ year
		Over 1/ year
		0
Usage of Apulum`s brand		Apulum
		Apulum + other brand
		Other brand or without brand

Source: Own source

The results of the research are presented in Table 2.

**Table 2:** The degree of customer satisfaction and confidence (2010-2017)

	2010	2011	2012	2013	2014	2015	2016	2017
Export score	6.4	5.96	5.38	5.93	6.75	5.5	5.26	4.56
Intern score	6.45	6.72	7.18	6.69	8.43	7.3	5.34	6.14

Source: Own source

The results shows that in the mention period the satisfaction and the confidence of the internal clients is higher than from the external clients. Also, from the Table 2 it is obvious that the highest score obtained was 6.75 in 2014 for external clients and 8.43, also in the same year for internal cliens. The lowest value was 4.56 in 2017 for external clients and 5.34 in 2016 for internal clients. The maximum score that could be reached is 10, therefore the maximum score was not reached in any year of the period considered. The findings of the research highlight an irregular variation of customer satisfaction and confidence.

#### 4. Conclusion

The main conclusion that emerge from the study approached refers to the existence of an irregular variation. This variation may have various causes resulting from the criteria



considered. For example, one of the cause is because 100 % of the internal clients use Apulum`s brand, while only 10% of the external clients use Apulum`s brand and 20% use Apulum`s brand and others brands. Also, another cause is the duration of colaboration which is lower from the external clients than from the internal clients.

Another conclusion that results from this study refers to the existence of certain criteria that are used to measure the degree of customer satisfaction and confidence, because before the implementation of the QMS there were no situation regarding the customer satisfaction and confidence.

Another idea that emerges from this study refers that there is a biunique relationship between improving the QMS and assessing the customer satisfaction and confidence, because they are mutually conditioned. Also, the annual customer satisfaction and confidence assessment allows to identify the QMS processes that need to be improved.

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## THE CREATIVE HABITAT

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**Abstract:** *The influence of the technological development on the socio - economic changes is undeniable, and moreover other new elements of living and working conditions have emerged. In this paper I assume that an optimum of comfort is needed by the creative class, the persons engaged in the creative and cultural industries, in order to flourish their work and creative potential. As a rule, talented or potentially talented people are targeting those areas that offer more opportunities, as Florida has also noticed, "creative talented people usually prefer regions that can offer opportunities and possibilities of change. Places that attract and retain talents have to offer a wide range of life styles, energy, stimulation and agitation" (Florida in Suciú et al., 2010:171). If we consider the major cities of Romania we notice that investors are attracted by those cities that own or train a qualified labour pool, such as cities - university centres. Considering the higher education institutions playing the role of a magnet for talent and ambition, the infrastructure and other facilities offered by a city, play the role of retaining the skilled talent.*

**Keywords:** creative economy; creative class; cluster; employment; workforce availability.

**JEL classification:** E71; I23; I25; J17; J24.

### 1. The environment of the creative class

A habitat represents a place favourable for living and conducting the specific activities of the inhabitants. In this paper I'll call creative habitat that preferred place which comprises some particular features needed to represent a flourishing residence for the creative class.

The creative class choose to migrate seeking cities and places where to live, characterized by openness to diversity, a large offer of various facilities and experiences, "and above all, the opportunity to validate their identity as creative persons" (Florida, 2014:186).

According to a study, three key features of a city cause the attachment of the population to it, namely "local social offerings, such as entertainment venues and places to meet, openness, or how welcoming a place is, and the area's aesthetics, or its physical beauty and green space"(Knight foundation, 2015).

Other high-values of the cities are given by their uniqueness and authenticity, Richard Florida, being concerned about the study of creative centers, states that the authenticity of cities "comes from several aspects of the community - historical buildings, established neighborhoods, a distinctive music scene, or specific cultural attributes" (Florida, 2014:294), especially from the interpenetration of the new with the old.

Diversity and openness are stimulated by those environments - providers of the comfort of being accepted regardless of origins, background, race, ethnicity, sex or

sexual orientation, and these actual favourable conditions have emerged as a result of the erosion of the religious ethics, and income growth - culture has taken the initiative to promote change, and the economy has begun to fuel the satisfaction of these new demands (Bell, 1976: XXIV-XXV). The settlements that provide qualitative resources for the satisfaction of the material, technological and cultural - artistic needs, take the form of creative habitats, attracting labour force, but also companies with labour demand, who get roots and develop in these places. Also Florida claims that "the higher the population of a city, the higher the degree of innovation and richness per capita"(Florida, 2014:195).

## **2. The human resource – magnet for the investors**

Also, the population migrates to those places where the multinational companies choose to invest, to create jobs and generate economic growth; meanwhile the investment decisions of those companies are influenced "by factors such as the availability of a creative workforce and the quality of life available to employees" (Los Angeles Economic development Corporation, 2015:17).

For companies, the human resource is a crucial element, the success of a business mostly depending on the ownership of the right human resource, "a combination of experiences, set of abilities, intelligence and energy. The most important thing is to be where you find a labour pool to bring you all of these" (The body company, 2015). Thus, access to qualified and talented staff influences the strategies of investors, so training and owning a skilled and competent labour pool become the key to economic growth and regional development, a particularly important aspect of the creative economy paradigm, as other specialists have shown, stating that "what confers power to the cities, is not represented by their great buildings, companies or infrastructure, but by the concentration of skilled and talented people owned, the clusters of human capital being the basis of regional business conglomerates" (Glaeser, 2011:193).

## **3. The university centres and their importance in creating a labour pool of a city**

Investors are looking for a skilled or in training labour pool because the young people's workforce is of great interest despite the lack of experience due to the desire of affirmation, the power and availability to work, the skills and competences newly acquired in universities, the lack of family obligations, but also due to the low labour costs. Hence the reason why many multinationals choose to open business units in cities - university centres such as Cluj - Napoca, Timisoara or Iasi, is noticed also by Newbigin who considers that "wherever there is a strong and sustainable hub of creative economic activity, there is likely to be a university that has helped to plant the seed and that continues to nurture local creative businesses and the specialised local labour markets on which they may depend" (Newbigin, 2010:40).

In order to develop a study about Oradea as a potential creative habitat, I consider important paying attention to the number of students of the higher education providers of Oradea. Considering the providers of higher education providers, Oradea owns a public institution, the University of Oradea, and other three private, more exactly: Agora University of Oradea, Partium Christian University (classes are held in Hungarian, targeting the Hungarian minorities of Oradea) and Emanuel University of Oradea, the latter two having a more confessional inclination. Altogether these institutions enrolled and trained an important number of students, providing Oradea's labour pool with skilled graduates. The University of Oradea represents the top higher education

provider, as seen in the following table, mostly because its larger academic offer. Unfortunately, data about the number of enrolled students were not available for all the analysed years, and not at all from the Emanuel University of Oradea. Anyway the figures of the University of Oradea play the most important role, so analysing these we see a negative evolution in the number of students due mostly of the low birth-rates recorded in the years following the fall of communism regime, and also due to the low rates of secondary graduates. However, in 2017 we see a little increase based on the larger offer the University has provided, but also on the benefits offered, such as lower enrolment taxes for those who choose to attain a second university programme.

**Table 1:** Number of enrolled students in the higher education institutions of Oradea (2012 - 2017)

<b>University/Year</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
University of Oradea	23331	20468	19488	19010	17987	18096
Agora University of Oradea	675	-	776	915	-	-
Partium Christian University	954	978	-	-	840	-
Emanuel University of Oradea	-	-	-	-	-	-
<b>TOTAL</b>	<b>24960+</b>	<b>21446+</b>	<b>20264+</b>	<b>19925+</b>	<b>18827+</b>	<b>18096+</b>

Source: own representation realized using data from [https://www.uoradea.ro/tiki-index.php?page\\_ref\\_id=210](https://www.uoradea.ro/tiki-index.php?page_ref_id=210), <https://www.partium.ro/en>, , [http://univagora.ro/m/filer\\_public/2016/03/29/raportrector2015.pdf](http://univagora.ro/m/filer_public/2016/03/29/raportrector2015.pdf) accessed at 09.11.2018

## Conclusions

In an economic paradigm where borders have no longer any power over the free movement of capital and labour force, and with the help of the media, distance and time are no longer obstacles, companies will always seek to settle and develop in those places where they will find resources or markets.

I consider that the features of the creative habitat mentioned in this paper have a psychological influence, causing an emotional attachment that comes second on the list, only after the need of a job, safety and the living conditions have been satisfied; also another factor more important than those listed by Florida, is the family and community relationships; once these priorities are achieved, the others play an essential role, determining personal relationships and lifestyle that develop, having the power to influence people's choice not to migrate when they find more attractive job offers.

Indeed, creating such an environment requires efforts, and "effective policy-making is essential for the development of a sustainable and competitive creative economy. The structure around which the creative economy develops is shaped by a series of government interventions, from IP regulations to tax regimes and education policies" (Newbiggin, 2010: 60).

The cities attracting, on one hand, the human resource due to the professional training provided and the greater chances of finding a job, and on the other hand companies interested in skilled labour pools, become, in time, professional clusters.

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# MAGISTRATURAL STRATEGIES OF THE URBAN PUBLIC ADMINISTRATION OF IMPERIAL TIMIȘOARA

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**Abstract:** *The article highlights the existence of a non-deliberate strategic approach in the process of urban transformation and development of Timișoara city, in its imperial period, strategic approach practiced by the city magistracy. As a way of treating the subject, we used multidisciplinary analysis of the historical contexts in holistic optics (urban analysis, community analysis, territorial organization analysis, etc.). Deconstructing the historical language (Derrida, 2009, 29-70) and the related concepts, in order to theorize, from a strategic point of view, the reality unexplored so far, namely the strategic valences of magistrate activity of Timișoara during 1716-1776. The practice of this research methodology helps us to confirm the strategic character of the urban transformation and development and to make intelligible the evolution of europeanness of the city in the period mentioned.*

**Keywords:** Urban Strategies, Urban Planning, Urban Planning, Imperial Timișoara, Regional Development

**JEL classification:** N93, R58, O43

## 1. Introduction

The administrative transition, from the Ottoman system, present in Timișoara until 1716, to the Austrian Imperial system, the city underwent transformations of European inspiration. Due to the possibility of self-administration and more reduced Imperial hierarchical structures (CDNAT, 1/718) than the Ottoman ones, the city's magistracy, as a local administrative institution, manifested itself in a much more innovative way than until then. The analysis of the work of this institution during the reorganization of Banat, and implicitly the city of Timișoara as part of the region, has surprised concerns in terms of strategic planning and parallel development, in the long term, of multiple aspects of urban elements.

## 2. Research methodology

This research aims at creating a record of the main categories of magistracy strategies implemented in the city of Timișoara. The research methodology used is a mixture of historical research and research methods used in the field of management. Deconstruction of the historical language and related concepts for the realization of the research objective: Identification and knowledge of the strategic valences of the magistracy activities and identifying the manner in which we are witnessing an alignment with the spirit of Europeanity of the Imperial Timișoara from 1716-1776. The difficulties of the research were due to the large amount of existing data in the county direction of the national archives and relatively short time.

### **3. Results and discussion**

The analysis of the documents and the rebuilding of the contexts of those public administrative activities that carry strategic valences allowed the categorization of the reformulated strategies in contemporary terms.

#### **3.1. Signs of the first attempts to secure the city of Timișoara**

The main concerns of the newly established administration in Timișoara in 1716, bear non-deliberate strategic valences and can be conceptually assimilated with what we call today urban security strategies. In this category of strategies we can also include the fortification security strategies or fortress management strategies from documents containing information about construction works at the new fortress. The activities of institutionalizing military security as urban public administrative structures can be assimilated to military security strategies. The construction processes of buildings that would function public administrative institutions can be assimilated with infrastructure strategies becoming support for urban institutional development. Another dimension of urban securing is distinguished by the reconstruction of the language and concepts, assimilating the administrative control function of the ethnic structures and the number of accepted inhabitants of the fortress (CDNAT, 3/1728), to demic control strategies, exclusion and urban penitentiary strategies. In addition to strategies, contextual securitization factors play an important role. Derived from the formal organization of security structures with emphasis on prevention against natural disasters (CDNAT, 1/1731).

#### **3.2. Introducing community spiritualization processes**

Another direction of insurance or security, the public administration has developed spiritualization strategies at the regional level. Due to the administrative change, there were also extensive confessional changes. In order to ensure a set of confessional values, they developed and maintain spiritual connections (networks), desirably assimilated to regional spiritualization strategies. Although Roman Catholic religion was not among the only religions practiced in the region, it was needed to conform other religions to Roman Catholic one (CDNAT, 3/1752) with what today we can call strategies of community spiritual compliance and food-spiritual conformance. Positive stimulation (CDNAT, 4/1764) or what we call today in terms of human resource management, positive motivation through the development and implementation of community spiritual education strategies. Spiritualization strategies were not implemented deliberately, but have strategic valences because they shape or remodel civic, spiritual, public value set, civic model of thought and common regional culture.

#### **3.3. Initiating regional and urban territorial organization**

The importance of territorial organization is semnificative in case of administrative transition, as is the case with the Banat region and implicitly the city of Timișoara. This regional administrative process has strategic valences and can be assimilated with what we call today territorial strategies. First organizational direction, which gave the region administrative distinctiveness (CDNAT, 1/1718) in comparison to other regions, can be assimilated to non-deliberate self-management strategies. At the level of local organization, resulting in local public administrative structures, we can identify strategies for innovation of the hierarchical structures (CDNAT, 6/1772). Other effects of the territorial organization are caused by the setting up of the first major development directions of the city (CDNAT, 1/1718) by what we call today urban public organization strategies having effects also on urban commerce (CDNAT, 2/1756) assimilated to the fiscal and commercial organization strategies, judicial issues

(CDNAT, 11/1718) and judicial subordination through local judicial innovation strategies.

### **3.4. Urban and interurban logistics development**

The main urban and interurban logistics projects (CDNAT, 2/1756) focused on two development directions: terrestrial and river-based (fluvial) and can be assimilated to freight transport innovation strategies and diversification of passenger transport.

### **3.5. The onset of agricultural development**

Among the objectives of regional reorganization, we also find agricultural development, expanding the practice of agriculture through what we can call diversification strategies of income sources in the region. Among the most important strategies for expanding agriculture were the support of the public geological and logistic projects necessary for their implementation. Additionally, there were also emphasis on cadastral reorganization (CDNAT, 5/1776) of extravilan and intravilan territories, emphasis that can be assimilated to what we could call today cadastral organization strategies.

## **4. Conclusion**

Due to the multidisciplinary treatment and a holistic vision on the subject, the objective of identifying knowledge of the strategic valences of the Imperial Timișoara magistracy activity was achieved. The categorization and reconstruction of the concepts presented in the previous chapter highlights the multitude of possibilities to increase the theoretical basis. By deconstructing language, we can rebuild concepts to understand in concepts used today, the activity of magistracy of Timișoara between 1716-1776, also the period of its reorganization.

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# THE EVOLUTION OF WOMEN'S UNEMPLOYMENT IN BIHOR COUNTY

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**Abstract:** *The dynamics of the contemporary world demands a perennial flexibility for changes in the labor market. Unemployment is an important reality that influences people's lives from an economic, social point of view, as well as the development and economic growth of society as a whole. The involvement of women in the labor market is worthy of consideration. The purpose of this article is to illustrate the evolution of female unemployment in Bihor County during 2006-2016. We also carried out a comparative analysis of the female unemployment rate registered at national level to illustrate the variations that occurred during the above-mentioned period.*

**Keywords:** unemployment, unemployed women, labor market

**JEL classification:** E24, F16, F66, J64

## 1. Introduction

Popescu Gh. and Ciurlău C. (2013: 280) define the labor market as an economic and social area in which interactions, confrontations, negotiations between labor demand and labor supply occur. Overlapping labor demand with labor supply is reduced due to differences in the structure and dynamics of the two components.

Unemployment is considered "an imbalance between labor demand and labor supply, lower demand than supply, an imbalance between the active human potential and the human potential used, thus a relative active overpopulation" (Bădulescu, 2006: 13).

The International Labor Organization (ILO) provides a strict definition claiming that "[unemployment](#)" referring to persons without work for pay or profit, who are seeking and available to start working for pay or profit in specified reference periods. The stricter definition no longer provides optional exclusions of the job search criterion, thus enabling assessment of labour market conditions that provide opportunities for job search, including in self-employment" ([https://www.ilo.org/global/statistics-and-databases/statistics-overview-and-topics/WCMS\\_470304/lang--en/index.htm](https://www.ilo.org/global/statistics-and-databases/statistics-overview-and-topics/WCMS_470304/lang--en/index.htm), 2018).

According to the International Labor Bureau, the unemployed are those aged 15-74 who meet the following three conditions simultaneously:

- do not have a job;
- are available to start work in the next two weeks;
- have been actively seeking a job, anytime during the last four weeks.

([http://www.insse.ro/cms/files/statistici/comunicate/somaj\\_BIM/a18/precizari\\_metodologice\\_mai.pdf](http://www.insse.ro/cms/files/statistici/comunicate/somaj_BIM/a18/precizari_metodologice_mai.pdf))

## 2. Causes and forms of unemployment

Among the multiple forms of unemployment, we recall: seasonal unemployment, which results from the diminishing production capacities affected by seasonal weather conditions or meteorological vicissitudes, short-term unemployment emerges in crisis situations under certain circumstances and structural unemployment is that category of

unemployment which arises from a mismatch between vacancies on the labor market and the skills available to workers on the market (Wolfgang Dorow et al., 2001). In August-September 2018, the Institute for Public Policies, in cooperation with the Romanian Institute for Evaluation and Strategy, carried out an opinion poll on a sample of 1220 people over the age of 18 who in the previous period worked, earning income. The results of the survey were confronted with the results of two focus groups. The findings of the study confirm that communication skills and computer literacy are considered imperative to get a good job. (<https://www.ipp.ro/angajatii-din-romania-se-adapteaza-rapid-schimbarilor-din-piata-fortei-de-munca-asimiland-noile-forme-de-munca-gig-economy-in-ciuda-legislatiei-neadaptate/>, n.d.)

Structural unemployment is often considered permanent because of the difficulty of acquiring new skills adapted to changes in the labor market as well as moving workers to other areas where such skills are required. Governments set up programs and policies designed to prevent unemployment. "Many social problems become more severe during periods of high unemployment. Among them are the increase in the incidence of thefts, alcoholism, depression, suicide and domestic violence" (Parkin, 1997). However, incentive-based policies can not completely eliminate structural unemployment because sometimes acquired skills are no longer used in production. Eliminating those jobs that require the use of low-level, routine skills means that there are other job opportunities that involve different skills.

Unemployment costs are multiple, as L. Andrei (2011) concludes: social costs reflected in the marginalization faced by the unemployed, house-specific costs generated by the decrease in contributions to national budgets and the increase in social aid also economic costs arising from the unproductiveness of inactive workforce.

### **3. Results of the survey on female unemployment in Bihor County**

Between March and June 2018, we conducted the transversal study on the structure of female unemployment in Bihor county recorded during the period 2006-2016. The research was carried out at the Bihor County Agency for Employment. The County Agency for Employment (AJOFM) Bihor has its headquarters in Oradea.

The purpose of the study was to identify the evolution of the female unemployment structure in the aforementioned period. The objectives of the study were as follows: to identify the evolution of the female unemployment rate in Bihor County over the period 2006-2016 and to perform a comparative analysis between the female unemployment rate in Bihor county and the female unemployment rate at national level in the analyzed time frame. The applied research method was the analysis of the documents, respectively of the statistics of the Bihor County Agency for Employment, regarding the structure and evolution of unemployment at county level, as well as the statistics provided by the National Institute of Statistics, in order to carry out an analysis compared with the evolution of female unemployment at national level. Subjects involved were female unemployed registered with the Bihor County Agency for Employment during the period 2006-2016.

After analyzing the data provided by the County Agency for Employment of Bihor for the year 2006, it was revealed that the unemployment rate in Bihor County fluctuated during the analyzed period, with decreasing tendencies, its level of 2.9% being more lower than the country's unemployment rate of 7.3%. Compared with the previous year, the unemployment rate increased by 0.7%. The female unemployment rate in the county of Bihor for the year 2006 was 2.1%. At national level, a female unemployment rate of 6,10% was recorded (<http://www.insse.ro/cms/>). The share of men in this situation was higher than that of women. At the end of December 2006, 7647

unemployed were registered, of which 2962 were women. The age groups most exposed to unemployment are between 30-39 years and 40-49 years of age, at least in absolute terms. In the same period, 897 unemployed women out of a total of 2262 unemployed in the 30-39 age group and 625 unemployed women out of a total of 1587 unemployed from the 40-49 age group were registered.

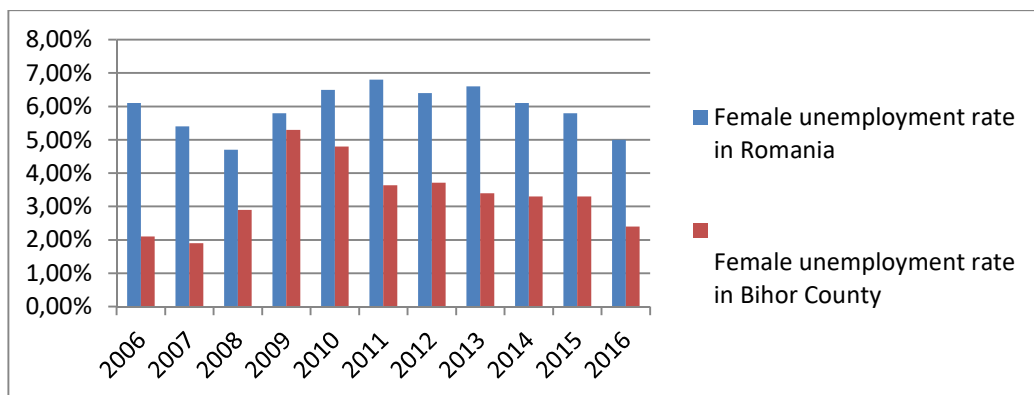
The unemployment rate in Bihor County at the end of 2011 was 4.11%, 1.2 points higher than in 2006. The effects of the economic crisis are acute, highlighting the rise in the unemployment rate. However, statistics show that the unemployment rate recorded at the end of 2011 was 1.71 points lower than in 2010 and 1.79 points than in 2009. In 2011, 5048 women were registered as unemployed, out of a total of 11,633, with a decrease in the number compared to 2010 and 2009. Unemployed women aged 30-39 years and 40-49 years are also in a majority proportion compared to other groups age. And during the three years 2009, 2010 and 2011 the number of unemployed women who have post-secondary and university studies is lower than those who have completed primary, secondary or vocational education.

**Table 1:** Female unemployment rate in Bihor county during 2006-2016

Years	Female unemployment rate
2006	2,10%
2007	1,90%
2008	2,90%
2009	5,3%
2010	4,8%
2011	3,64%
2012	3,71%
2013	3,40%
2014	3,30%
2015	3,30%
2016	2,40%

Source: County Agency for Employment Bihor AJOFM Bihor

Table 1 shows that the female unemployment rate in Bihor County recorded between 2006 and 2016 is fluctuating. The largest variations occurred in 2008-2009, when the female unemployment rate increased by 2.4 percentage points compared to the previous year. Starting in 2012, this indicator is on a relatively downward slope.



**Figure 1:** Comparison of female unemployment rates in Romania and Bihor county recorded during 2006-2016

Source: County Agency for Employment Bihor AJOFM Bihor, National Institute of Statistics, available: (<http://www.insse.ro/cms/>)

As can be seen in Figure 1, there are some discrepancies between the evolution of the female unemployment rate in Bihor county as compared to the evolution of the national unemployment rate in the period 2006-2016. In 2008, the female unemployment rate in Bihor County increased by 1% compared to 2007. In Romania at the end of 2008 the female unemployment rate decreased by 0.7 percentage points compared to the same period of 2007. In 2010, there is a decrease in the female unemployment rate in Bihor County compared to the previous year by 0.50 percentage points, unlike the female unemployment rate at national level, which is increasing by 0.7 percentage points, from 5.80% in 2009, to 6.50% in 2010. Also, 2011 shows a decrease of the female unemployment rate in Bihor county by 1.16 percentage points compared to 2010, while the same rate in the country is 0.3 percentage points higher than last year. Another variation of this kind can be seen at the end of 2013, when in Bihor County the female unemployment rate is decreasing compared to the previous year, the gap being of 0.31 points. At national level over the same period, the female unemployment rate is up 0.2 percentage points, from 6.40% in 2012 to 6.60% in 2013. (<http://www.insse.ro/cms/>)

#### 4. Conclusion

The results of the study conducted at the Bihor County Agency for Employment, as well as the data collected through the National Institute of Statistics showed that the female unemployment rate in the Bihor county shows different variations in the female unemployment rate at the national level in the years 2008, 2010, 2011 and 2013. The female unemployment rate in Bihor County declined during the mentioned periods, compared to the national unemployment rate, which is increasing in the same period compared to the previous years.

We believe that these decreases in the level of unemployment among women in Bihor County are due to the implementation by the County Agency for Employment of active measures for reducing long-term youth unemployment, promoting full employment, supporting the unemployed from rural areas, as well as those considered socially disadvantaged or marginalized.

Also, the number of vacancies in light industry has been increasing. It has been observed that women tend to accept less paid jobs and below the level of their qualifications.

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## NEW TENDENCIES IN TOURISM: THE SHARING ECONOMY

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**Abstract:** *The sharing economy is a phenomenon that has emerged in the recent years as a response to the technology development, the changing of the peoples' consumption habits, and environmental changes in terms of sustainability. This new economy model has had a rapid rise and has all the chances of becoming the economy that prevails on the market in the coming years. The new economic model has a market orientation and generates new business, new jobs, and growth in economy and income sources. The collaborative economy has also made its mark on the tourism. If the tourist services have been only traditionally provided a few years ago, there has recently been a new tendency in this area, namely to share goods/services. It is important to remember that this type of economy creates values such as trust, transparency, authenticity, and mutual help. This article attempts to highlight how the collaborative economy has put its footprint on the tourism, what are the challenges, benefits and impediments to such an economy.*

**Keywords:** sharing economy; tourism; competitiveness; regulations; challenge.

**JEL classification:** O35

### 1. Introduction

In the recent years, the world economy has been undergoing profound changes. The 2008 economic crisis has prompted consumers to be more careful about how they plan their spending. The peoples' concerns, the development of the Internet and the easier access of the population to it, have created the right moment to create and develop online platforms that are needed to link those who own goods they are willing to share and consumers wishing to use the goods (Cheng, 2015). This is how the concept of collaborative economy has been born, which is in a continuous rise today. This type of economy can create great opportunities for consumers, businesses and citizens and can also create new jobs, growth, and income sources. Being flexible and focused on the individual, the collaborative economy can lead to the development of creativity and will bring revenue in specific ways and intentions. Martin (2017), member of the World Economic Forum Governing Board, underlined that addressing a collaborative economy marks a significant change from our traditional consumption methods. Choosing transportation based on the recommendations made by previous passengers, borrowing tools instead of purchasing them, are just a few of the ways in which the collaborative practices evolve in certain cities.

Tourism is a sector full of opportunities and access to this market is relatively easy due to the low entry barriers (Badulescu & Badulescu, 2012). This opportunity also extends to the collaborative economy. In addition to the positive impact that this type of economy has on the economy and society, there are also some negative aspects that could hinder its development. A negative aspect would be that there is no clear regulation in the field, and this can lead to lower consumer confidence and a lower

level of people's trust in these services than the traditional ones. Another negative aspect may be that the traditional business is threatened by new business models. Reducing the safety regarding the travel and the city congestion is another shortfall in this type of economy (Kerstin & Del Mar, 2017).

## **2. The sharing economy and the tourism**

Starting from the fact that the collaborative economy makes its presence felt more and more in the economy, we ask ourselves how this type of economy manifests itself on the tourism and what are the challenges, the benefits and the impediments that come with the collaborative economy. Just as the changes in the economy, as well as the behavior of the consumers who are in a continuous movement, the tourism industry has also a strong dynamic lately. The behavior of tourists takes on a new trend, and the collaborative economy model fits very well in this context, changing the traditional tourism, giving tourists new opportunities in terms of where to stay or what to do.

In the field of tourism, the collaborative economy has made its mark especially in the hotel (accommodation) and the transport area. Thus, reducing the cost of accommodation has the effect of increasing the frequency of trips or planning the tourists' stay over a longer period of time (Tussyadiah & Pesonen, 2015).

Talking about accommodation, platforms such as Airbnb, Homeaway, these offer people a place to stay more affordable than the hotel prices, especially if it's in the big cities of the world. In some situations, the accommodation conditions are even better than those found at an average hotel. Especially after the last economic crisis, the consumers of tourist services are much more careful when planning a holiday, which is why they want to find good accommodation conditions at affordable prices. But "The price is not the only reason: the common dwelling is also rated because it allows access to single accommodation units or has a more authentic experience; In the collaborative transport, the comfort in travel is also a reason for participation" (Mohlmann, 2015). The collaborative platforms, in particular, enable consumers to easily compare prices between different vendors, find out more about the product or service offered, analyze the opinions of other users, and in many cases communicate directly with the product or service provider (Roser, 2018).

The challenges of the collaborative economy are many. "First, renting could have severe disadvantages, creating new class divisions and more inequality. Second, Internet platforms are not necessarily egalitarian; they are themselves giant corporations which undercut gig workers' benefits. Third, the long term sustainability benefits of the sharing economy are unclear. Fourth, there are security and trust concerns with respect to the sharing economy" (Ganapati & Reddick, 2018).

Another challenge is the change in the behavior of tourists, but also the expectations they have from holidays. Lately, more and more tourists are increasingly attracted to the idea of organizing their own holidays or trips. They can live and experience new things, they also have the opportunity to discuss, eat or share information with the inhabitants. This makes the trip an authentic one. The peer to peer accommodation offers the opportunity to live for a short period in the local neighborhoods which are usually not accessible to tourists (Tussyadiah & Pesonen, 2015).

The benefits of such an economy cannot be disputed, even if there are opinions that come to contradict this. In the first place, it creates competitiveness that leads to the improvement of the services in the field, new jobs that generate sources of rise the incomes. Secondly, people are looking for much more information about where they want to go, so they are enhancing their knowledge and become more interested. Moreover, they have the opportunity to socialize and develop their creativity. Another



benefit is that people manage their own resources and the resources from the environment more efficiently. Transparencies, authenticity, trust, mutual help are values that are created by this system. Those able to anticipate and control the collaborative economy can reap economic, social, environmental benefits by providing wider access to products, services, talent and experience than what can be done when everyone is a unique possessor. In the recent years, a number of organizations have been emerging that seek to promote and boost the collaborative economy, but also to connect the participants to facilitate the transactions.

According to a report presented at the World Economic Forum entitled "Collaborative Economy in Cities," "the fast-growing collaborative economy platforms and companies behind them now have a total market share of \$ 4.3 trillion, employing directly 1.3 million people "(World Economic Forum, 2017). The opinions against the sharing economy say that it has developed very quickly because the regulations in the field are weak. Since the negative impact of the collaborative economy on communities and the market is in full swing, the government agencies must find solutions to the negative consequences that may arise. In this context, the researchers from government agencies or IT must expand the scope of the survey beyond the internal process or external use of platforms (Ganapati & Reddick, 2018).

The impediments related to the manifestation of the phenomenon of sharing economy on the tourism sector come mainly on the accommodation and transport side. There are a lot of companies that are active in the field of tourism and transport and who see their businesses in danger due to the emergence and accelerated development of the collaborative tourism. The tourists are attracted to these online platforms, which give them greater freedom to choose the right package and also come to respond more personally to the needs of tourists.

The criticisms of this economy also refer to the trust and security systems generated by the online platforms. The trust is based on peer reviews (Ganapati & Reddick, 2018). Dambrine, Jerome, and Ambrose (2015) show that the various mechanisms used by the platform lead to these reviews and means to establish a reputation. Taking these into account, there have been several studies that highlight the issues without evaluation, feedback. (Ganapati & Reddick, 2018). For example, 95% of Airbnb offers have approximately maximum ratings; only 1% of Uber drivers have lower than average ratings (Stemler, 2017). These qualifications could be manipulated by forgery, reviews posted by the vendor or the customer (Mayzlin, Dover & Chevalier, 2014). In the feedback systems, some users refrain from posting negative comments for fear of retaliation (Ganapati & Reddick, 2018).

The European Union is trying to facilitate the legislation in the field of the collaborative economy in tourism, whether it refers to accommodation units or means of transport. Taking into account that platforms such as Airbnb, Uber, BlaBlaCar have seen a strong rise, they are trying to regulate the aspect of these platforms at a European level.

### **3. Conclusions**

Concluding, it can be said that the emergence and the accelerated development of the sharing economy, respectively of the new business that arose with this phenomenon, led to the modification of the way tourists see, use and relate to the traditional tourist services. They have become very receptive, especially since these new types of services bring added value to the touristic packages. The collaborative economy brings with it competitiveness in the tourism sector and comes to complement the traditional offer which, until the appearance of this phenomenon was the only one that was important. "The competitiveness of tourism more and more relies on its sustainability,

on the quality of the natural and cultural environment of destinations and their integration into a local community” (Badulescu & Badulescu, 2012; Leslie, 2012).

The regulations in the field are still a challenge, given that the great speed with which this economy has developed and there have been a number of activities related to this phenomenon that are not yet regulated. Consequently, adapting the legal framework to respond to these new trends is essential.

Some authors asserted that in the long run the sharing economy will be the predominant economic force that contributes to the economic revolution raising the productivity and catalyzing individual innovations through the called collaborative value creation movement (Kerstin & Del Mar, 2017). In order to be able to talk about an adequate coexistence between the activities taking place in the area of the collaborative economy and the ones in the traditional area, there must be clear regulations that won't affect neither the traditional economy nor the sharing economy (Rodríguez, et al., 2016).

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## MODELS TO FOLLOW IN GOOD PRACTICES OF SOCIAL INNOVATION ON THE FIELD OF DISTRICT HEATING

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**Abstract:** *In the field of district heating a process of social innovation has been initiated that, by the betterment of environmental conditions, contributes to the improvement of the quality of life at the given locations and to the general well-being of the local community. The aim of the study is to present a good practice of social innovation. The technological development and the implementation of professional innovations at the Miskolc District Heating Ltd. established an operational environment of district heat production that, via the model of optimal heat source mix, can serve as an example for the planning of heat-source portfolios at the Hungarian district heating systems. The study shows how it contributes to the realization of the European and Hungarian energy strategy. It also focuses on the eco-label and the good examples of using renewable energy sources in district heating. The results of the study are applied to prepare a detailed map of the element of social innovation networks in the field of district heating and to determine the indicator groups with a special focus on its financing and economy.*

**Keywords:** Performance Management; Healthcare; Balanced Scorecard; Public sector

**JEL classification:** K32

### 1. Introduction

The approaches toward social innovation are varied; there is no commonly accepted definition of the term. There is a notable difference between definitions in relation to the well-being of the community and the novelty of solutions to social issues. By taking these into account we define social innovation as follows: "Social innovation provides new or original solutions in solving the problems of a community with the aim of improving its well-being" (Kocziszky, Veresné and Balaton, 2017). The balance between social and economic goals is an important part and also a specificity of the notion of social innovation. Its main character is to serve the social good which cannot be achieved without taking an economic approach. (Szegedi, Fülöp and Bereczk., 2015)

Besides fulfilling the sustainability and environmental protection strategies and action plans of the European Union and Hungary, the technological developments carried out in the field of district heating also fit into the definition of social innovation, i.e. by lessening the environmental pressure they contribute to the improvement of the quality of life.

Social innovation among the district heating suppliers falls into several categories. The present study focuses on the role of environmental friendly heat source mix.

## **2. The European energy strategy**

Energy is necessary for life. It is needed in our everyday life for heating, lightning, transportation, industries, etc. "The well-being of the people, industrial competitiveness and the operation of the society as a whole depend on secure, reliable, sustainable and economic energy" (European Committee, 2011). Due to this fact appropriate energy carrier management is essential. The EU Energy strategy has been formulated along these basic premises. In the strategy the EU set targets for 2020, 2030 and 2050 (European Committee, 2012).

The energy policy emphasizes the need for sustainable, affordable, competitive and secure energy supply. Due to the limited resources only rational and efficient usage can assure sustainability. If we succeed the profit is many-folded: not only carbon-dioxide emission will be cut, but additional benefits arise as well, like new workplaces and cost reduction (European Committee, 2012).

Renewables play an important role in the energy strategy. By 2020 the share of renewable energy shall be increased to at least 20 %. By 2030 the target is 32 %, and for 2050 it is 55%. (European Commission, 2018).

## **3. Hungarian energy strategy**

"Hungary is not a rich country in terms of extractable energy carriers. Therefore it is in its utmost interest to use energy carriers in effective and responsible ways. In spite of this, the consumption per dwelling (with climatic correction) in Hungary is larger than the EU average. From the 27 member states, the country is among the 10 largest consumers. Roughly 80% of the energy consumption of the households is for heating purposes (heating, domestic hot water and cooking). Most of it is provided via individual, natural gas heating units, firewood and district heating" (Nemzeti Fejlesztési Minisztérium, 2012) As heating takes up such a large piece of energy consumption I chose this as the topic of my research.

In accordance with EU guidelines, the Hungarian target of energy from renewable sources in gross final consumption of energy by 2020 should be 13% compared to the 4,3% of 2005 (European Parliament and Council, 2009). "Among renewable sources priority is given to the use of biogas, bio-mass and the utilization of geothermal energy that serve primarily but not exclusively heat generating purposes." (Nemzeti Fejlesztési Minisztérium, 2012)

In line with the aims of the National Energy Strategy the district heating sector carried out several innovative investments to develop an environmental friendly, efficient and energy-saving district heating system in the last couple years.

District heating has its disadvantages as well:

- It is a large scale system which means the construction and maintenance of the system is more expensive than the installation of per building producer units.
- The large system has a significant heat loss and need a high pumping energy. Compared to the natural gas supply the construction and maintenance costs are higher.
- It is a complex system due to which disconnecting individual households is rather difficult. Because of the adjustment of heat water, the capacity is not always available in its full. (Bauman, 2012)

#### **4. The energy strategy of A MIHŐ Kft. (Miskolc District Heating Ltd.)**

Miskolc aims to become a sustainable, healthy and viable city. In relation to these goals a Sustainable Energy Action Plan has been formulated in which the city targeted 40% decrease in CO<sub>2</sub> emission by 2030.

The city is committed to the use of renewable energy. In line with this goal the local district heating supplier carried out significant innovative developments in the last couple years. The MIHŐ Miskolc District Heating Ltd is the second largest heat supplier of the country. Thinking in terms of environmental awareness nowadays most of its energy mix contains energy from the depony gas naturally occurring at the recultivated dumpsite, from wood chip biomass and from geothermal energy coming from 2300m deep extraction wells. In terms of the economy at large, the Miskolc district heating contributes to the geothermal energy targets of the National Energy Strategy by almost 10 percent.

More than 155 000 people reside in Miskolc. The number of households supplied by the district heating supplier is more than 31 000, more than 50 percent of which are targeted by the developments. By using these innovations 25 719 200 m<sup>3</sup> natural gas is substituted and the emission is lessened by 48 812 metric tons of CO<sub>2</sub>.

Further utilization of renewable energy is planned by increasing the number of district heating consumers. Since 2015 several large consumers joined the district heating network, which increased the number of buildings heated by green and renewable energy. Consequently, the city's rate of harmful emission decreased. For the Miskolc district heating these new additions to the district heating network equal the extra heat quantity necessary to supply a small or middle-sized town.

Beside the environmental benefits we shall also mention the environmental awareness-raising effect of the utilization of green energy on the local community. By looking at the numbers it is without doubt that the efforts toward environmental conscious energy supply have a remarkable role in social innovation.

In recognition of its innovative pursuit, the city and the Miskolc District Heating Ltd won the Üzleti Élet a Környezetért Díj [Businesses for the Environment Prize] (2011), the Innovációs Nagydíj Kiemelt Elismerése [Innovation Grand Prix – Outstanding Achievement] (2011), the Észak-magyarországi Regionális Innovációs Nagydíj [North-Hungarian Innovation Grand Prix] (2010) and the Magyar Minőség Háza Díj [Hungarian Quality Prize] (2010). In 2017 the company received the eco-label as well.

#### **5. The recognition of environmental-conscious practice: district heating eco-label**

The district heating eco-label was introduced by the Magyar Távhőszolgáltatók Szakmai Szövetsége (MaTáSzSz) [Professional Association of Hungarian District Heat Suppliers] in the August of 2017 with the aim of making the environmental effect of district heating evident for the consumers, just like in the case of the household appliances. Based on the exemplary utilization of renewable energy and the consequent decrease in CO<sub>2</sub> emission the Avas and downtown district heating system got the district heating eco-label. The label classifies the given system in terms of energy-efficiency, utilization of green energy and CO<sub>2</sub> emission. A district heating system is considered good if it works energy-efficiently and in a cost-saving manner. A growing proportion of the Hungarian district heating systems is like that now. Via the developments that started in the last couple years and go on even today the district heat supplier made a significant progress toward increasing energy-efficiency and the utilization ratio of renewable energy sources.

The aim of the further developments is to have the whole Hungarian district heating industry provide competitive and reliable services with an increasing ratio of environment-friendly, renewable energy in its mix (Magyar Távhőszolgáltatók Szakmai Szövetsége, 2017).

## 6. Conclusion

The current study aimed to emphasize the importance of sustainable energy utilization among the pillars of energy policy. It describes the most important EU guidelines and the respective Hungarian Energy Strategy. Further research focuses on the competitiveness of the energy industry with a special emphasis on the stimulating and regulatory measures leading to more cost-effective, sustainable energy consumption.

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# THE ROLE OF FINANCIAL INDICATORS IN SUPPORTING STRATEGIC DECISIONS

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## **Abstract:**

*Traditional financial indicators calculated from financial statements cannot provide adequate information for the management, do not support strategic decisions. The reason for this is the methodology used in producing financial statements and the operational logic of financial accounting. Financial accounting thinks in terms of business year that is 12 months. It deals with events of the past, more accurately, with so called economic activities. Financial accounting evaluates such economic activities in terms of monetary processes, which means that the traditional financial indicators have their limits in application. Could it mean that traditional financial indicators cannot be used in the long-term strategic decision making? In our study we point out two connections between financial indicators and strategic decision making. Firstly, we focus on financial indicators used in supported strategic decision making, in strategic indicator systems. Secondly, we focus on cases in which financial indicators complement the methods of strategic decision making, add something to the tools available in strategic management.*

**Keywords:** financial statement, financial indicators, strategy, strategic decision making, Balanced Scorecard;

**JEL classification:** C80; G30;

## **1. Source and critic of traditional financial indicators**

Financial statements, their content and layout are regulated by legal norms. Such norms ensure that financial statements provide information for all stakeholders on the assets, liabilities, equity, revenues, expenditures, financial results, cash-flow, financial performance, changes in equity of organizations falling under the legislation. This information shall be made available and applicable in making economic decisions. Financial statements ensure that financial accounting is an important – but not exclusive – provider of information for the players of the market. According to the legislators' concept, nowadays financial accounting shall provide useful and reliable information mostly for the players of the market (i.e. for the seller and the buyer, and/or for the owner, the representative of the owner, the investor – that is external stakeholders). As the demand for information by some stakeholders only partially aligns with the information given readily by the business entity; the legislators, in order to resolve the conflict of interest, formulated guidelines and/or rules.

The IAS 1. Presentation of Financial Statements sets out the requirements for the components of financial statements as follows:

- balance sheet
- statement of profit or loss and other comprehensive income

- statement of changes in equity
- statement of cash-flow
- notes

Balance sheet is a statement of financial position at the end of a period (end of the business year) in terms of assets and financing. Current and non-current assets shall be separated just like current and non-current liabilities. IAS1 does not prescribe the format of the statement of financial position but regulates the minimum information that shall be included. Besides the minimum, entities may add additional line items, headings and subtotals if they are relevant to the understanding of the financial situation of the entity.

The financial outturn report presents the results at the end of a period of activity. It presents information on the profit and loss and other comprehensive income. Similar to the balance sheet, the outturn report does not have a standardized format. The IAS1 prescribes the minimum line items and it gives the entity a choice in presentation.

Statement of changes in equity, analysis of other comprehensive income and statement of cash flows are also required by the IAS 1 standard.

These statements are not enough to inform stakeholders though. Further numerical and verbal additions are required. These additions make up the notes, the content of which is regulated by the standard in the forms of general and specific rules (e.g. the notes must present information on the specific accounting policies used) and also by the entity that decides upon other disclosures it wishes to present.

Accordingly, the limitations of traditional financial indicators used in performance measurement are as follows:

- traditional financial indicators reflect on the past, they are not connected to the future, to the strategy of the entity,
- their focus is short-term so they do not support long-term strategic goals,
- because of their fiscal nature they cannot reflect qualitative factors, even though performance analysis requires the review of both quantitative and qualitative elements
- as traditional financial indicators take the effect of past activities and consumer decisions into account, they are not fitting to prevent problems
- they are not of diagnostic nature, which means they reveal problems but not their causes. (Musinszki 2016; Zéman et al. 2016)

## **2. The role of financial indicators in supporting strategic**

### **2.1. The inclusion of financial indicators in methods supporting strategic decisions**

In today's highly competitive environment the financial indicators alone are not able to give direction for the future; typically they can give a view about some actions of the past, and so are retrospective, post factum indicators. Based on theoretical and practical experience, both financial and non- financial indicators need to be reflected in the benchmark.

The balance between them has to be created and they have to be united in a complex indicator system. This is achieved by the Balanced Scorecard (BSC). The BSC is a balanced, performance indicators-based strategic evaluation system. Balanced as:

- it is trying to create a balance of the viewpoints in it,
- it takes into consideration objective, easy to quantify outcome indicators and also subjective performance indicators slightly depending on an individual opinion.



- it creates balance between the short- and long term purposes.

Performance indicators-based and strategic: cause the strategic aims and initiatives are translated to actual index-numbers by BSC, and as a result of this method the strategy takes place.

Evaluation system: because the target value is continually matched with the real achievement by BSC, the feedback can be feasible based on the gap analysis.

The viewpoints of the basic model are the financial, the customer, the operational processes, and the learning and development viewpoint.(Kaplan & Norton 1992, 1996)

However, the basic model was not regarded as a definite model by the model creators. Over the last two decades different types of the basic model have been revealed taking different factors into consideration. The range of the stakeholders has expanded; the supplier, the future, social responsibility and sustainability have become independent viewpoints. (Butler et al. 2011; Hágén-Borsós 2015; Maltz et al. 2003; Veresné 2013)

In time, all these thoughts have gained ground in legal norms as well. In accordance to the 2013/34/EU directive, besides financial processes of the entity, financial statements shall also reflect environmental and social aspects of business processes. The foremost aim of the directive is to ensure sustainability, to present environmental and social aspects of activities and performance. Namely, in order to achieve a sustainable global economy long-term profitability shall go hand in hand with social justice and environmental protection. (Demény-Musinszki 2016; Molnár 2016; Molnár-Tumik, 2017)

## **2.2. Financial indicators complementing supporting methods of strategic decision making**

Another utilization of financial indicators is if they are not taken into account in themselves but are complemented by or combined with systems supporting strategic decision making. Nowadays several support systems exist that foster strategic decision making. Their categorization may be carried out as follows: on the basis of the aim of use (status analysis, strategic directions and goals, strategy execution, strategy follow-up); on the basis of the level of business environment analyzed (micro, industrial market-, macro), on the basis of the entities status vs. analyzed environment or rather of the potential influence (tools analyzing internal and external environment) and also on the basis of the complexity of the methods applied (simple and complex systems).

The specific relationship between financial indicators and support systems of strategic decision making comes from the fact that financial indicators not only complement measurement and analytic tools of environment and strategy but are necessities in a exact and complex analysis of strategy and business environment (good examples are the tools measuring and analyzing business life cycle, product life cycle, industrial trends).

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## **TALENT MANAGEMENT – CONCEPTUAL APPROACH AND PRACTICAL CHALLENGES IN THE CONTEXT OF GLOBALIZATION**

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**Abstract:** *In a wholly dynamic way, the entire world corporations are facing some challenges about the talent management and these are coming to respond to these challenges through investment and implementation of some programs in the talent management. The employee becomes more complex, more aware of his value and in this context the corporations face difficulties in his attraction and his keeping in the corporation. Facing this challenge, the corporations will focus on the importance of staff in assuring success in business. Starting with the 1990s the theme of talent management works up an interest, but it still exists a misunderstanding and a varied conceptualization both of talent as well as talent management in the specialized literature. This study proposes to identify the role of talent management in human resources strategies, the relation with the organizations success, as well as a conceptual approach oh terminology regarding talent and the talent management.*

**Keywords:** talent management, challenges, competence, performance, human resources

**JEL classification:** M12, M52

### **1. Introduction**

In the last 20-30 years, the corporations' need of being competitive on the global market knew an accentuation a more alert rhythm. Therefore it is remarked a closer connection on one hand, between the attraction of staff with potential, which holds some abilities and competences, the keeping of talent, the developing of talent in these corporations, and on the other hand, the organizations success.

The talent management is developing after the 1990s and undergoes many stages both in the specialized literature as well as in the implementation within the organizations. New challenges which are associated with the talent management on the modern working markets represent a permanent source for discussion and dialogue both in the academic world and among the practical specialists in human resources area. In this theme approaching it is important to take into account the challenges from the international working market, the movement of the employees within the same organization on different levels and the strategic occupations.

In this report we will focus on the place and role of talent management in human resources strategies and will operate a conceptual approach of terminology regarding talent and the management of talent.

## **2. Talent management in human resources strategies**

The concept of "talent management" was born at the end of 1990s, starting from a group of consultants from McKinsey&Company, a consulting company of global management, who wanted a change of paradigm in human resources and invented the term *the war for talent* with the intention to underline the importance that must be granted to the organizations staff in assuring these organizations success. These focused their approach on the importance of occupying the organizations posts with "type A performers" and eliminating "type C performers", the last ones being considered nonperformers for the organizations. (Scullion et al., 2010). Although in these consultants' researchers the talent management did not get a clear, precise statement, the majority of organizations at a global level started to show a particular interest for the talent management.

Among the key factors that influenced the occurrence and development of talent management, we mention: the significant role played by the managerial talent in assuring the success in the multinational corporations, this being reflected in the increase of the global competition and the need to learn and to innovate; the competition for talent between the employees has passed from a national level to a global one, so that talent must be coordinated and located in some global operations of the organization; the crisis of managerial and professional talent appeared as a new challenge of human resources for corporations, the crisis of talent management determined the successfully implementation of strategies, the increase and development of new business markets emphasized the need of a managerial talent model that can efficiently operate regardless culture and geographical distance (Scullion et al., 2010).

Therefore talent management is an integrated process in the human resources strategies which propose activities for talent attraction, motivation, hiring and keeping in the organization.

## **3. Focus on talent and talent management**

Talent represents a key element that organizations consider as being determinant for the success at all levels of the organization. Talent defines a professional in a certain area or in a certain job. Talent is the staff that will create and will give value to the organization (Drăgan, 2016).

Talent is also described as a competence or a set of competences. McClelland used the term competence from a scientific perspective, this being considered an individual characteristic that contributes to the performance achieving or to the reaching of success in a specific role (McClelland, 1973). This individual characteristic can refer to a multitude of behaviors, attitudes, variables and lead to different competences models depending on the specific of the activity and the established objectives (Iliescu, 2018).

Daniel Goleman also speaks about talent within the group harmony, considering that talent determines the group harmony and stresses the talent of other group members (Goleman, 2001).

Speaking about talent as ability or competence, we can state that talent is part of the larger circle of human personality, integrated as an ability of higher level that helps the individual to have the capacity to do a thing better than others. What we can state is that talent represents a successfully factor of organizations, and resources must be directed towards talent identification, development and keeping.

In the effort of attraction of staff, corporations started to understand the strategic value of talent and its impact in assuring the organization success and started to create and to implement programs and systems of management known in human resources as

talent management. Successful companies such as Microsoft, PepsiCo, 3M are permanently preoccupied with talent management.

We could say that the new label of talent management is actually a modern philosophical current of approaching the human resources management which begins to establish psychological evaluation within organizations that regard both professional individual performance, but contain a larger specter of future performances of the organizations.

Talent management is an integrated process that imply identifying and development activities of employees with potential, including in these two large areas also punctual activities from other human resources processes such as professional performances evaluation, compensations and benefits which they deserve (Iliescu, 2018).

#### **4. Talent management - defining and conceptualization**

Financial resources represent the blood or the life of organization, but human resources represent its brain. Studies show that the practice of talent management leads to considerable results that can be quantified in financial resources (Silzer and Dowell, 2010). The majority of CEOs at a global level consider that an organization success or failing depends on the presence or absence of creation and implementation of a talent management. The staff of the organization that holds a strong talent has a major positive impact upon that organization business success.

When it is tried to define talent management, a part of researchers and specialists in human resources consider it controversial enough, because the term itself is not precise enough. The definitions lead to some directions, some with emphasis on the continual refinement of specialists in human resources, others emerging with methods and instruments that facilitate the professional development of employees, and a third direction lays on improvement of the organization performances.

Regarding the defining of talent management it is important to mention that in 2006 Lewis and Heckman identify three currents about talent management that actually represent a conceptual background within this concept is discussed (in Scullion et al., 2010, p.106). A first current sees the model of talent management just as a replacement of human resources management and the focus is limited to practices specific to human resources such as recruitment, professional development, succession planning. A second current emphasizes the staff needs and the coordination of the employees progress in certain positions. A third current focuses on people management that hold talent and the key roles in the organization need to be filled with type A performers and the elimination of type C performers (Scullion et al., 2010).

Therefore in this conceptual background it is needed to reach a consensus regarding the talent management from a practical and theoretical perspective.

The group of consultants from McKinsey & Company, in the work "The war for talent" (2001), defines talent management as anticipation of human capital necessary for an organization and necessary for establishing a plan for attraction, integration, developing and keeping of the talented staff (Ed et al., 2001).

Talent management includes organizational activities and practices with the purpose of attraction staff, of selecting, developing and making efforts for keeping the best employees in strategic posts (Scullion et al., 2010).

Avedon defines talent management as representing an integrated set of processes and procedures used within an organization in order to attract, keep and develop talent, to produce new talents for reaching the strategic objectives (in Silzer and Dowell, 2010, p.16).

Graddict considers that talent management is the managers' organization ability to attract, develop and keep varied talents to encounter the critical time and the future needs in business (in Silzer and Dowell, 2010, p.16).

Talent management defined by Cerrone is regarded as a process of attraction, keeping and development of eligible people with proper skills in proper roles (in Silzer and Dowell, 2010, p.16).

Talent management is the process through which the employees anticipate and encounter the needs of human capital; the purpose is more general and the important task in this process is to help the organization to achieve its objectives (Capelli, 2008).

A system of talent management has the purpose of attracting proper talents and help them to understand exactly what is expected from their work experience in the organization (Lawler, 2008).

Talent management represents recruitment, development, promotion and keeping people who find themselves on the same track with the line of the organization development and who correspond to the future purposes of the organization (Wellins, 2006).

Talent management is an integrated set of processes, programs and cultural standards in an organization, designed and implemented with the purpose of attraction, developing, unfolding and keeping talent to achieve the strategic objectives and encountering future challenges in the business setting (Silzer and Dowell, 2010).

Each of these definitions of talent management has some processes or common activities of which we mention planning, recruitment and efficient selection of necessary workforce, rapid integration of new employees, the employees development, the continual preoccupation for retaining those who count, an efficient management of performance (Neacsu, 2010).

It still exists this seeking after a common defining and a collective general practical applicability of talent management specific for the organization and culture in which it is understood and implemented.

## 5. Conclusions

Talent management represents a determinant factor that comes to support human resources area. Looking for talented talent globally, as a concern for talent management, has a rapid development. While the market becomes more flexible, there is an unprecedented acceleration of the struggle for talent, a refinement of employers' demands, an increase in the complexity of job descriptions and even a "gap" between the market offer and the expectations of employers (Abrudan and Matei, 2009).

Success depends on the corporation in relation with the existing human resource, in its keeping, motivating and development according to its potential.

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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.

**JEL classification:** D81; L26

### 1. Introduction

The evolution of risks can have a profound 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 hoped. The notion of risk can be regarded when it comes to an investment 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 rise 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.



## 2. Literature review

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 risk to designate the first and the uncertainty term for the latter (Knight, F., 1921: 233). The given definition quantifies risk through objective probability and uncertainty through subjective probability.*

## 3. Methodology

The theoretical and methodological approach of the studied issue has as reference the current and the reference research in the field. 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" (Niță, 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).

## 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.

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## SOCIAL CAPITAL: A TRANS-DISCIPLINARY CONCEPT

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**Abstract:** *Bourdieu, a French sociologist, proposes in 1986 two new forms of capital: cultural and social, alongside the economic capital defined by John Stuart Mill and Karl Marx. The social capital is perceived broadly as institutions, relationships, attitudes and values that govern interactions between people, which contribute to economic and social development. Thus, the concept of social capital proposed by Bourdieu seeks to mediate between an economic term and a sociological denominative, in the desire to know the economic mechanisms that guide the social body. Douglas Nord, the most important exponent of the New Economic Institutionalism, offers us a new theory of approach to economic development. Where, institutions are game rules that structure political, economic and social interaction. And informal institutions are: values, moral norms, conventions, habits and traditions, codes of conduct, attitudes and beliefs. Institutional desideratum is to reduce uncertainty in the economic process. The new socio-economic approach is relying on that the economy should have a social perspective, and the sociology should not avoid economic outcomes, because the economy is a part of the social world. The definition given by Francis Fukuyama presents without naming the transdisciplinarity of the concept of social capital.*

**Keywords:** social capital; economic institutions, trust; social networks; values;

**JEL classification:** A13, A14, R11

### 1. Perspectives

Capital over time has almost become a common term in Sociology and Economics. From the beginning it is necessary to specify the concept of social capital, which we present in this paper, is different from the understanding provided by Law 31/1990, on commercial companies (Parlamentul României, 2018).

Roland Coase (1937) emphasizes the importance of institutions claiming that they matter when trading costs are relevant. Thus, economic institutions are important because they help solve the problems of coordinating individuals' plans, and they internalize externalities and reduce uncertainty. *Formal institutions* are written norms that organize the political, legal, economic and social environment, and they impose the accepted way of behavior for the socio-economic actors, which make the actions of the individual predictable. The life of the individual is also governed by: moral values and norms, conventions and other codes of conduct that determine human behavior. These socio-cultural factors are called *informal institutions*, and they part of the social capital, which affects the likelihood of credible creation of cooperation and commitments (Ostrom, 2000).

Pierre Bourdieu (1986, p. 243) promoted his theory of that the society is a set of social relations based on economic conditions, and he named the concept "social capital", proposing to be a part of an inter-conditional triad alongside economic and cultural capital. Also, he fought to form an interdisciplinary science that wanted to promote the

concept of capital in all its forms, and not only in a form that is recognized by economic theory.

The concept of institutions has received different meanings, but we use the theoretical approach of institutional economists. According to them, individuals in order to reach their established goals are willing to impose constraints on their activity in order to produce reliable expectations, reducing uncertainty. These restrictions are called institutions, and they are created by individuals by imposing mandatory rules in their social interaction. In other words, the institutions represent the normative framework in which the economic actors carry out their social life (Crouch & Farrell, 2004).

In this paper we present the conceptual similarity of social capital and informal institutions. Also, we argue that informal institutions co-determine formal institutions, based on the attitudes and beliefs behind a society. Informal institutions may turn into legal rules sometimes, becoming formal institutions. In the end we like to investigate the trans-disciplinary character of the social capital.

## **2. Social capital**

Bourdieu (1986) started from an analysis of social order, and described the concept of social capital before defining it. He observed the paradox that not every action of the social actor can be reduced to an economic calculation, although an individual is behind each action, because convergence towards a rational social universal actor is impossible. For him the social capital is "(...) the aggregate of current or potential resources that are linked to the possession of a more sustainable network of relations, more or less institutionalized, of mutual knowledge and recognition (...)" (Bourdieu, 1986, p. 261).

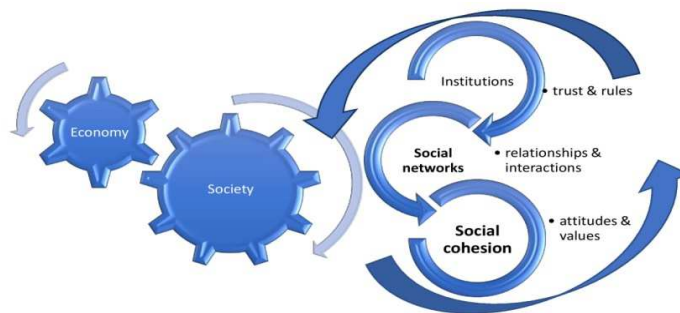
James S. Coleman (1988) proposed a much wider perspective on the concept considering it to be an individual resource that transcends the self and it is present in any type of community. And at macro level, the ability to cooperate comes from mutual trust added to the values that behold a community at a given time. Thus, social capital is a factor of production because cooperation in society leads to economies of scale and development.

Political theorist Robert D. Putnam (1993) is the one who has secured the public interface of the new theory. This, unlike Bourdieu and Coleman, sought to describe economic and social trends by conducting statistical studies. He measured social capital through the level of civic involvement, claiming that a high level of social capital leads to an economically efficient society. It defined social capital as "(...) networks, norms and trust, which facilitates coordination and cooperation for mutual benefit" (Putnam, 1993, p. 35).

Social capital at the individual level was defined by Lin (2004, p. 29) as "resources embedded in a social structure accessed and / or mobilized in intentional actions". He used a different approach, namely a socio-economic actor has a certain level of social capital depending on the strength of his (her) social connections. Now the social capital becomes equivalent to "the access at the social resources" - an accumulated potential that could be mobilized by the socio-economic actor in certain situations (Lin, 2004, p. 45). Today, social capital has no universally accepted definition, and unique indicators for measuring social capital are missing, but researchers do this with proxy. Research on social capital has been conducted in different countries like: Australia, Canada, Switzerland, Finland, France, Germany, Israel, Japan, Korea, Mexico, New Zealand, Poland, United Kingdom, Sweden, Turkey and the United States; and by international bodies, like World Values Survey and European Social Survey (Scrivens & Smith, 2013).

Checking the literature on social capital, we have found that this concept has attracted the attention of several researchers and international organizations (World Bank, OECD). They have developed extensive programs for the study of social capital and its development effects. The literature presents also a variety of definitions for social capital, but the OECD (2001, p. 42) put their mark “(...) networks together with common rules, values and understandings (...) [which] facilitate cooperation within or between groups”. The definition that captures the value of social capital is “(...) institutions, relationships, attitudes and values that govern interactions between people and contribute to economic and social development” (Grootaert & van Bastelaer, 2001, p. 2).

Durlauf and Fafchamps (2005) present three basic ideas: (1) social capital generates positive externalities for members of a group; (2) trust, common norms and values derive from the way social networks are organized based on information (3) positive externalities are secured by: trust, common rules and values and their subsequent effects on behavior.



**Figure 1:** Social Capital → Society –Economy (source: own design)

### 3. Economic institutions

Economists agree that institutions are an important development factor, but research needs to transcend beyond the relationship of institutions and the level of aggregation of economic output (Pascariu, et al., 2002). Economic institutionalism is an approach to the theory of economic development through institutions and institutional changes. The institutions determine the revenues of economic agents based of their investments that are made in the local socio-economic context. The role of institutions in achieving economic performance has been a matter of interest for socio-economic analysis starting with the works of Thorstein Veblen. He was convinced that the economy is significantly embedded in social institutions (Pohoață, 2009).

North (1991), starting from Coase, proposes a theory of economic development that is based on adaptation and institutional change. Williamson (2000) as Coase's student introduced his ideas to a new generation of researchers, formalizing the concept of transaction costs. He argues that two are the sources that can generate transaction costs: (1) limited rationality; (2) opportunistic behavior of economic agents. Williamson also sets out a typology of organizational forms ranging from the free to hierarchical marketplace, which responds to the transaction costs approach. Williamson sustained that political and economic institutions are needed to streamline transaction costs, this being at the core of the New Institutional Economy (NEI).

The definition proposed by North (1991, p. 97) is “Institutions are man-made constraints that structure the political, economic and social interaction. They consist of both informal constraints (sanctions, taboos, customs, traditions and codes of conduct) as well as in formal rules (constitutions, laws, property rights). Throughout history, institutions have been designed by human beings to create order and reduce uncertainty in exchange for [economic and social]”.

The definition we consider for informal institutions was given by Helmke and Levitsky (2004, p. 727): “(...) socially common rules, usually unwritten, which are created, communicated and executed outside the channels officially sanctioned”. Thus, informal institutions are defined as values, moral norms, conventions, habits and traditions, codes of conduct, attitudes and beliefs, where implementation is done by the community (society), and the transmission channel is the individual itself. Also, informal institutions influence economic development, at an aggregate level, through their effect on social actors. Although, informal rules are not encoded, they are accepted as legitimate because they are in-use norms compared to formal rules that are sometimes only rules in force.

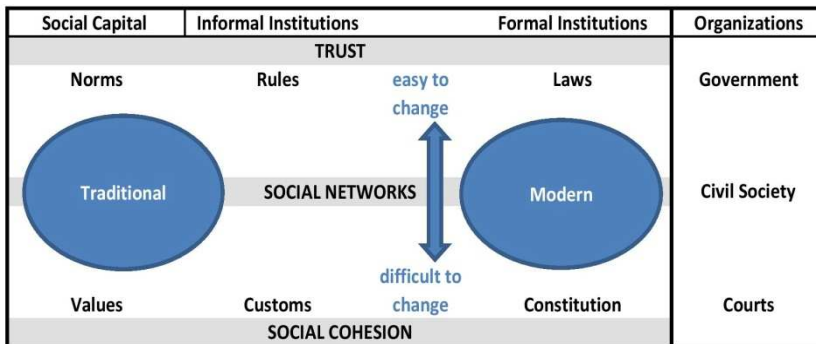
Also, North (1990) recognizes that institutions are not always easy to classify in formal or informal terms, and informal institutions are in fact as important as formal institutions. But the two types of institutions should be regarded as being situated at the opposite ends of a continuum. Implicitly, the boundaries between formal, informal institutions and social capital are not clearly delineated.

#### **4. Social construction of economic institutions**

The literature on social capital has many common points with those relating to economic institutions. Fukuyama (2001, p. 7) presented the similarity between social capital and institutions, in one definition: “Social capital is an instantiated informal norm that promotes cooperation between individuals. In the economic sphere, it reduces transaction costs, and in the political sphere it promotes the genre of associative life, which is necessary for the success of a limited government and modern democracy. Although it often comes from games reiterated by the Prisoner's Dilemma, it is also a byproduct of religion, traditions, historical experience, and other cultural norms”.

The social construction of economic institutions is explained by social capital, as: (1) *trust* - helps to explain order, stability and continuity in social life; (2) *social networks* - economic action can be facilitated or hindered by the actor's position in a network of relationships; (3) *social cohesion* - economic action can not take place without a common understanding of appropriate behavior in a given social context. Thus, economic sociology tries to understand economic phenomena in their social and cultural contexts, and researchers see the market as an economic and social product, where economic exchanges are facilitated by socio-cultural processes, which offer economic agents common understandings (values, norms and symbols). Socio-economists invoke this concept to explain why some economic actors are more successful than others in mobilizing resources or achieving their goals. They claim that all economic activity is socially based, and argue that when evaluating an economic phenomenon we must know: the cultural framework; institutional structure; networks of relationships between individuals (Granovetter, 1992).

Thus, researchers, economists or sociologists have come to recognize the complexity and interdependence of social and economic elements, fact supported by the new institutionalism in economics and sociology. We observe the existence of a similarity between social capital and economic institutions, and at an aggregate level we agree with the definition propose by Nelson and Sampat (2001, p. 10) “(...) institutions (...) are social technologies, but not all social technologies are institutions, only those that have become standard from which are expectations, given the objectives and preconditioning”.



**Figure 2:** Social Capital, Institutions and Organizations (source: own processing)

**Conclusions**

*Trust* is the base of economic institutions and social capital, that; (1) support the formation of a historical experience of collective action; (2) leads to solving the problems of coordinating individuals; (3) agents internalize externalities and reduce uncertainty. Thus, cooperative actions are set, which will lead to an increase in common long-term benefits. Research shows that people choose to trade with others to get mutual benefits, actions based on cooperative behaviors.

Social capital implies structured *social networks*: (1) that are facilitated by interactions and founded on social cohesion; (2) individuals gain mutual trust based on: *norms, rules customs, attitudes and values*. Trust and social networks leads to *social cohesion*: (1) cooperative actions are set; (2) increase long-term benefits.

Economic institutions support the formation of a historical experience of collective action, leading to solving the problems of coordinating individuals, and agents internalize externalities and reduce uncertainty.

The new socio-economic approach argues that the economy should have a social perspective, and sociology should not avoid economic outcomes, as the economy is a part of the social world. In fact, the specialized literature on social capital has much in common with that about economic institutions. We say that social capital is a concept that can be used trans-disciplinary.

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# THE PUBLIC HEALTH SYSTEM: CONCEPTUAL AND METHODOLOGICAL APPROACHES

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**Abstract:** *The title of this article is "The Public Health System: Conceptual-Methodological Approaches". Health is defined as "a complete state of well-being, mentally, mentally and socially, not just the absence of disease or infirmity." The World Health Organization (WHO) considers it "the fundamental right of any human being." In 1986, this definition has been extended, stating that the mandatory requirements for good health are peace, shelter, education, food, income, a stable ecosystem with trust, social justice and equality. Obviously, classical elements of health education, vaccines, or medical checks are insufficient. The current definition in the Encyclopedia of Global Health identifies public health as "the science of protecting and improving community health through education, promoting healthy and productive lifestyles by delivering society's interests in efforts to ensure conditions for people to be healthy . "In this context, public health actors are: public health agencies that operate under government control, health care systems, health education and research institutions, social communities to which the citizen belongs, workplace and the individual's employer, the media. Actually, public health is us and those around us.*

**Keywords:** the public health system, health management, Health levels, Public health goals, Public health system and health management

**JEL classification:** I20

## 1. Introduction

The first elements of public health, an expression of the social need to protect the human community against illness, incapacity or premature death, arise with civilizations in Egypt, China, Greece and Ancient Rome. Because, always and everywhere, human illness and suffering have been a disadvantage for society and a disability for the individual, even if different value systems over time have sometimes made the social rhythm of the disease ignored.

The assertion of public health as a science was favored by the progress of medicine, the social awareness of the risk of the disease, the unfavorable consequences of morbidity on socio-economic evolution. But at the same time, the development of public health has been substantially limited by ignorance, poverty and sometimes insufficiency outlining its scientific bases. (Aizcorbe, 2008, p. 12)

Very different opinions on the content and concerns of public health and even the veracity of its existence as a well-defined field as a necessary branch of medical science (as a theory, method and practice) is explained by the ignorance, ignorance or non-application of the notable progress recorded in the methods of investigation and action in public health. Indeed, there has always been a gap, often unbearable, between the possibilities offered by the immense advances in the theoretical field of

medical sciences and the practical possibilities, often limited by their application in the practice of community health protection.

Public health as a science of health promotion and protection, control, prevention and disease control through the organized and conjugated effort of the community has emerged as a reaction to the evolution of the population morbidity, the progress of medicine and social-political trends, the orientation and the content they vary substantially from one historical period to another. (Aizcorbe, 2008, p. 15)

As a branch of medical sciences, but especially as a medical education discipline, public health has over the years carried many names, which have often created confusion in this field: social hygiene, social medicine, health organization, organization of health care, public hygiene, and so on. For various reasons, they have attached themselves to this teaching discipline: demography, biostatistics, non-communicable disease epidemiology, health care and, more recently, health management. In today's world, where every society is obliged to rationalize and evaluate each activity, health insurance services are also forced to shape their requirements and activities according to their economic possibilities, by virtue of the principle of effectiveness. The principles of scientific leadership have penetrated in the last decades and in the healthcare sector as a necessity imposed by the evolution of contemporary society.

Sanitary management means the art and science of leadership, mobilization, organization and management of the resources available to an organization (ministry, health department, hospital, hospital, health center, etc.) in order to solve closer or more distant objectives.

## 2. Health levels

The following health levels differ from the public health research experience:

- I - individual health;
- II - the health of small social or ethnic groups;
- III - population health of an administrative-territorial unit;
- IV - public health - of the society, the population as a whole.

Today, there is no single definition of individual health, but a plurality of definitions related to accumulated knowledge, the dynamics and the specificity of cultural values, and because health has a processual, evolutionary character. Hence the attempt to define health in a number of ways and to be measured according to different reference criteria.

In the very broad list of definitions of health, several criteria are used to define it, with each school adopting one, two or all three of the most frequently used criteria. These criteria are:

- Functional well-being;
- The body's ability to adapt to various living and working conditions;
- The human condition that makes the creative individual (a criterion commonly used by the French).

Thus individual health is: (Erickson, 2014, p. 51)

- "the result of the optimal interaction between biological, human and genetic donation
- the conditions of the environment or life and natural and social activity";
- "the harmonious unity of the biological and social qualities that influence favorably
- the life and activity of the individual and the lack of disease";

- "the state that allows the individual to spend an unlimited life in his freedom, to exercise human functions and to respect a healthy way of life ";
- "a state in the process of adaptation that must guarantee the functioning of the body human and his participation in the socialization process ";

The World Health Organization (WHO) defines individual health as: "A state of well-being, complete from a physical, mental and social point of view and not only absence of illness or infirmity." (Akobundu et. all, 2016, p. 19)

The features of this definition are:

- Is accepted by everyone as a "aspiration";
- Its realization implies the responsibility of society;
- Underlines the positive and multiaxial character of health.

The health of human groups could be defined as a synthesis of a individual health appreciated in a systemic, global (ecosystemic) vision. Public health is the set of knowledge, skills and attitudes population oriented to maintaining and improving it. The ways through which public health goals can be achieved presuppose organized effort of society. Thus, Hanlon defined public health as science protecting people and health, promoting and regaining health through the organized effort of society.

Public health has a different content than other subjects, presenting as a particularize the object of concern: the group or groups of persons and not the person (Individual). It also addresses the role of the social factors that influence it health and has a preventive tinge.

The Algorithm of Diagnostic Judgment of the Health of a Collective human is analogous to what the doctor is doing before a patient (diagnosis of the health of a person), but with some specific nuances. (Colecchia, 2012, p. 24)

Object of public health are human groups.

## **2. Public health goals**

I. Promoting health, aiming for people to be healthier, able to participate in social life (it is achieved by developing sanogenic measures with the contribution of all sectors of the community and social groups).

II. Health care by maintaining and preventing illness.

III. Control of morbidity by fighting diseases and their consequences.

IV. The return of health, at whose achievement, the contribution of doctors, health and social services is substantial.

The main areas of public health. Public health as a science that promotes and protects the health of the population comprises the following scientific and practical fields:

- Demographics;
- Biostatistics;
- Epidemiology;
- Applying social and behavioral sciences to health because some of the diseases have a social determinism;
- Medical-social services management;
- Right;
- Ethics.

In OMS normative acts, public health is often mentioned as a social quality. In relation to this, the OMS recommends the following main indicator for the assessment of public health:

I. Accessibility to primary medical-social services;

II. Covering the needs of the population with healthcare;

III. Level of population immunization;

- IV. The level of the population's health culture;
- V. Breakdowns of gross national product for the health system;
- VI. Plenitude of the examination of pregnant women by qualified medical personnel;
- ARE YOU COMING. Condition of children's nutrition;
- VIII. Infant mortality rate;
- IX. Average life expectancy.

### **3. Conclusions**

Most people consider health from the perspective of what they offer, assuming that they are as healthy as they may be and will probably remain in this state.

However, many aspects of our health are affected by what we do, by what we think. Having the right information, we can make an informed choice and improve both our health and our overall lives. The more healthy we are, the more tonus, vigor and enthusiasm we present, and so we will achieve important goals. Otherwise, the lack of information leads to significant limitations due to health problems.

Being an abstract concept, health is not put on the scales, it does not sit at the door of the door to draw its chalk height, nor is it timed. For measuring public health, a number of indicators are used in complex, multi-layered analyzes.

The World Bank and WHO have been interested in the impact of diseases on a community, measuring, among other indicators, the financial costs borne by the community, mortality and morbidity. As a result of a global report in 1990, developing countries accounted for 90% of the global burden of disease, while they were only 10% of the funds available for global health.

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## FINANCIAL EDUCATION IN ROMANIA

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**Abstract:** *In a life filled with uncertainties and imperfection, financial knowledge will enable people to efficiently allocate their financial resources, throughout their entire lives. The lack of financial education is a key factor in generating inequality, an aspect known and easily observable in Romania. Throughout this article, I have analyzed the current state of financial education in Romania, given the precarious state of financial literacy in this country. Even though this type of education is present in educational facilities (schools and universities alike), mostly, it deals with theoretical aspects of this subject. In the first part of the article I have defined several terms in order to lay the foundations of the theoretical aspects of this theme. What is more, the institutions involved in developing and promoting financial education at a national level shall be presented. These institutions, together with several educational institutions manage to successfully implement several projects that have as a purpose to financially educate the population. The present risks involving contracted credits lines and their future values, according to the Romanian National Bank estimates, shall be observed. The main purpose of this article is to identify present and potential of increasing the level of financial education in Romania.*

**Keywords:** education; economy; Romania; National Bank of Romania; finance; risks.

**JEL classification:** G20, G22, G41.

### **1. Heading: Generally Introduction or Background**

The reason behind choosing financial education as a theme for this article is the fact that at the moment, our country is confronted with this problem: the lack of financial literacy among throughout the population of Romania. The population is confronted with a lack of clear financial information, but at the same time, it also lacks of financial education. The purpose of this analysis as regards the need for financial education is to find several solutions and methods to diminish these shortcomings. The current research will substantially be based on specialty literature and theory given the fact that I want to explain some financial terms in order to have a clear picture of this problem, and then to make some remarks and observations on the current situation of financial education in Romania. The article is structured as follows: in the first part I will define several financial terms, after which I will present the institutions have a role in stimulating and influencing financial education. Afterwards, I will present the current methods used in financial education in our country, and in the end I will present the risk of credit default. The article finishes with the conclusions of the researches carried out, and also with the presentation of new solutions and methods.

## 2. Theoretical concepts

Financial education refers to the “governmental and organizational processes by which revenues are generated (through taxation, tuition, fees, and philanthropy), distributed, and expended for the operational and capital support of formal schooling” (<http://www.oxfordbibliographies.com>).

Financial education is the process through which we gain knowledge, skills and abilities that allow us to make better decisions as regards the management and control of our resources, to make correct analyses and know from whom to get correct advice in order to obtain a higher benefit from investing our resources.

In 2005, OECD has developed the following definition for financial education: “the process by which financial consumers/investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being” („Advancing National Strategies for Financial Education”, OECD, 2005, adopted by the OECD council).

The European Commission has proposed that “financial education enables individuals to improve their understanding of financial products and concepts, and develop the skills necessary to improve their financial literacy; i.e. to be aware of financial risks and opportunities and to make informed decisions in their choice of financial services.” (Communication from the commission-Financial education, COM (2007) 808, Bruxelles, 18.12.2007).

By analyzing the two definitions, we can acknowledge that the two have common ground and that they also include the financial education of investors in the broader domain of financial education.

The National Financial Educators Council defines financial literacy as “Possessing the skills and knowledge on financial matters to confidently take effective action that best fulfills an individual's personal, family and global community goals” (<https://www.financialeducatorsCouncil.org/financial-literacy-definition/>).

## 3. National financial institutions decisive in stimulating the levels of financial and economic education

The Romanian institutions concerned with the study of the financial and business sector aren't that numerous, but the most prestigious are: The Romanian National Bank (RNB) and a Non-Governmental Organization (NGO), namely, Junior Achievement Romania. The RNB is concerned with analyzing the totality of factors, indicators and present sum of solution that appear to current economic and financial difficulties.

The RNB has put special emphasis on “increasing the level of financial education of the population, this being an underlying factor in developing beneficial relations with members of different states, in the context of European integration” (<http://www.bnro.ro/Educa%C8%9Bie-financiara-7872.aspx>).

What is more, the RNB has signed various partnerships with the Ministry of Education, as well as with prestigious universities, thus granting and allowing the involvement of individuals coming from the entirety of Romania.

Starting with 2016, the activities included in the national project entitled “Let us talk about money and banks” (<http://www.bnro.ro/Sa-vorbim-despre-bani-si-banci-7853.aspx>) take place throughout the territorial headquarters of the RNB, in collaboration with county school inspectorates. This project is aimed at involving

students and pupils from all over the country, favoring those coming especially from rural area. Such projects include "Global Money Week" (<http://www.bnr.ro/Globel-Money-Week-2018-17454.aspx>) and "Școala altfel: Să știi mai multe, să fii mai bun" (Different School: Know more, be better). All of the projects of the RNB have a clear purpose and are aimed at increasing the levels of financial education. An NGO that deals with financial education is Junior Achievement Romania (J.A.R.). It is one of the oldest and most involved institutions as regards education and finance. This is an NGO "that aids the population with knowledge and abilities regarding the business environment, that helps school through different courses, projects and competitions, all of which have financial education as a basis" (<https://www.jaromania.org>).

#### **4. Methods of increasing financial and economic knowledge**

Many studies point out the fact that from a financial literacy standpoint, more often than not, is among the last and lowest spots. Thus, a study conducted by Georgetown University and the University of Pennsylvania have concluded that Romania, as compared with 11 other countries tops the last place as regards financial education. In this study, the sample population of the 11 countries involved had to answer 3 questions as regards financial knowledge. Addressing notions such as inflations, interest rates and risk diversification, "only 1 in 5 Romanians has an understanding of such concepts of financial instruments" (*Standard & Poor's*).

In Romania, methods of developing financial knowledge are not very diversified. Thus, financial education begins in high school, and then at college with classes and courses such as Entrepreneurial Education, Economics and Economics. Another method of development would be to attend various conferences that have as topic of debate the economic and financial field.

The European Commission has already undertaken several measures in favor of financial education. It has created a website called "Dolceta" ([www.dolceta.eu](http://www.dolceta.eu)), which offers in depth education on consumption.

"The European Agenda" (<http://ec.europa.eu>), is a brochure distributed to secondary school students to inform them about their rights as consumers. This is another initiative in this area. It includes a chapter on money and debt, explaining the way in which financial institutions and products work, and which draws attention to the dangers posed by excessive borrowing.

In March 2007, the Commission organized the "Increasing Financial Capability" conference to highlight "the importance of providing quality financial education and the need to create a forum for exchanging best practice" ([http://ec.europa.eu/internal\\_market/finservices-retail/](http://ec.europa.eu/internal_market/finservices-retail/)).

All these methods are done in partnership with the institutions listed above, but also with the Ministry of Education and the European Commission. Another method could be to introduce economics during primary, so when they reach high school, students will easier understand financial terms.

#### **5. Default risk of loans**

As regards the default risk of loans contracted by the non-government sector in Romania, there is an "upward trend" (RNB). The main risk is the deterioration of investor confidence in emerging economies. A high risk is also the risk of non-reimbursement of loans contracted by the non-government sector. Other two systemic but moderate risks, similar to the previous report, are: the strain on macroeconomic

balances and the low payment discipline in the economy. One of the main explanatory factors for models of probability of default is the indebtedness of borrowers.

## 6. Conclusions

The lack of financial knowledge can lead to large indebtedness and poor financial decisions. As an example, the benefits or disadvantages of fixed and variable interest rates are easier to understand and to make an informed about if you have financial literacy skills. However, the population does not have the basic skills to reconcile bank accounts, pay bills on time, pay off debts, and plan for the future. Only by acknowledging that improving "financial education" will only bring benefits to the population, can our society will benefit. This gain bears a double significance: on the one hand - to improve the knowledge of the population, and on the other - to help the financial institutions, for example the commercial banks.

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# METHODOLOGICAL CHALLENGES IN MEASURING SOCIAL INNOVATION – LITERATURE REVIEW

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**Abstract:** *The conceptualisation of social innovation and the determination of measurement levels are relevant challenges. However, they are only partly investigated in the academic literature. Several fundamental problems of economies and societies – such as population loss, unemployment, migration or lagging regions – require long-term solutions embodied in innovative cooperation between society stakeholders, direct and voluntary participation of the population in decision-making processes and implementation of social innovation efforts. The concept of social innovation focuses attention on meeting community's needs with a special emphasis on benefits of innovation to society, which results from problem solving of innovative ideas at local and community levels. Social innovation interacting with technological innovation and mutually reinforcing each other is capable of responding to local and community challenges, which will lead to improving communities' well-being. After conducting a literature review, this study attempts to identify measurement structures and fully analyse them. After this, a multilevel measurement model that helps measure social innovation processes is created. Also, specific rules and limitations are considered.*

**Keywords:** social innovation, measurements, community needs, well-being

**JEL classification:** O35

## 1. Introduction

The EU cohesion policy, Horizon 2020 program (a program that determines EU's research, development and innovation policy for 2014-2020) and different societal challenges provide a basis for investigating the opportunities for measuring social innovation processes. The concept of social innovation focuses attention on meeting community's needs with a special emphasis on benefits of innovation to society, which results from problem solving of innovative ideas at local and community levels. Well-being – apart from income conditions and livelihood needs – is also affected by the feeling of personal safety, self-esteem and network needs (Kocziszky et al., 2015). While investigating social innovation initiatives, it is essential to focus attention on meeting community's needs with a special emphasis on benefits of innovation to society and the role of active community participation in community's life in order to improve standards of living.

## 2. Conceptualisation

The current academic literature does not provide a single definition of social innovation, so the scholarly community offers different interpretations and classifications of it (Veresné-Varga, 2018). Scholars have developed a common

position that social innovation is closely related to improving well-being, involving societies in different activities and meeting communities' needs.

However, they approach social innovation from different angles highlighting different aspects. Thus, it is essential to develop a transparent and a consistent structure of this concept. Social innovation can be defined as innovation that meets social needs along new or novel co-operations and structures. Societies' efforts to innovate result in the renewal of societies and in encouraging society members to act. In a normative approach, 'social innovation is a process that increases the willingness of a community to act in the form of new or novel collaborations' (Balaton-Varga, 2017).

### **3. Measuring social innovation processes**

Bacon et al. (2008) identified three major factors that explain the dynamic of social innovation processes. They are as follows:

- willingness to change (resulting from awareness of threat or from the feeling of a new opportunity);
- effective activation of the available (internal) capacities to promote such change;
- access to (external) resources to help implement transformation processes

As guidelines and issues related to the methodology of measuring innovation (OECD, 1963, EC, 2006, 2012, Schmitz et al., 2013, Bund et al., 2015) indicate, different measurement methodologies are applied to scientific and technical innovation and social innovation. Social innovation processes combine macro-level measures with organisation-level initiatives based on voluntary participation. In order to create a model that measures effort processes, results and effects, it is essential to examine both top-down (theoretical) and bottom-up (practical based on engaging civilians) strategies.

Drafting measurement structures of social innovation is a complex endeavour. When social innovation is measured based on the system applied in technical innovation, first, the indicators are to be specified and identified as input, output and impact indicators. Also, activity levels and types of their relationships are to be specified. Indicators of technical innovation can help specify social innovation indicators. However, great care should be taken when indicators are adopted (Schmitz et al, 2013).

Measurement is complex and requires the following:

- application of the available and known methodologies and the combination of the available (macro) data;
- investigation of good practices at local levels.

A two-level measuring system (with sets of indicators) is to be developed. Relationships between two structures are to be defined. Also, conducting both structural interviews and empirical research studies (tests, questionnaires) help create the necessary framework conditions.

According to Reeder et al. (EC, 2012) measuring social innovation is an interactive process, which requires the usage of previous data, the application of the available and known methodology at both micro and macro levels.

Zapf (1989) separates methodologies measuring technical innovation from methodologies measuring social innovation.

According to him, the productivity of technical innovation depends on physical energies and materials, whereas the productivity of social initiatives is affected by human creativity and available resources.

Societies keep changing and new products, services, or programs are developed, which both meet societal needs and develop new solutions and relationships.

The investigated academic literature reveals that recommendations made regarding methodologies measuring social innovation and based on different interpretations of the concept can be divided into two groups: top-down and bottom-up strategies (Bund et al., 2015). In the top-down process, a macro-level measurement structure can be elaborated which is based on previous innovation measurement data and on recommendations of the academic literature and determines measurement framework conditions at local level. In the bottom-up process, a systematic measurement typology and methodology can be elaborated which is based on case studies conducted in certain localities. If this measurement typology and methodology is raised to a macro level, this allows measuring the country's social innovation performance.

As for the top-down measurement process, first, measurement recommendations described in the academic literature are to be reviewed and analysed and framework conditions for macro-level measurements are to be established. A macro-level model helps determine micro-level measurements. As for the bottom-up measurement process, analyses of case studies at micro levels help define the typology and methodology to be applied and elaborate a micro-level measurement model.

#### **4. Conclusions**

The above discussed two different interpretations provide a basis for elaborating a methodology for combined measurement structures. The theoretical approach (top-down) based on quantitative examinations (macro-level analyses and the establishment of indicators), qualitative methods analysing best practices (interviews and micro-level case studies) and their combination allow measuring social innovation processes, which face several challenges such as the selection of variables, scarcity of significant best practices and control, among others. The combination of theoretically-based quantitative calculations and expert-based qualitative examinations provide adequate responses to challenges. Quantitative calculations and qualitative analyses allow establishing measurement framework conditions determining social innovation processes, identifying the starting point and the end point and conducting a complete examination of the process.

The social innovation process determines preconditions that guarantee the development of social innovation, factors that define efforts and outputs that are implemented in new structures and collaborative forms.

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## THE AFTERMATH OF FINANCIAL CRISIS IN THE EUROPEAN UNION

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**Abstract:** *The post-crisis period was defined by an acute imbalance in the socio-economic environment of the countries. The fiscal policies applied at that time, designed to relieve the detrimental changes in the national economic structure, have been identified as being ineffective. They have not succeeded to generate positive effects, whether it is about short-term or long-term effects. This paper aims to identify some causes that have contributed to the financial crisis, as well as its effects by analysing some indicators from five emerging countries (Romania, Poland, Slovakia, Estonia and Lithuania) and five developed countries (Germany, the Netherlands, Italy, Sweden and Denmark) for a period of nine years, more exactly, from 2008 to 2016. The outcome of the analysis reveals that the imbalance in the economy, especially in emerging countries, has led to a major increase in the population exodus, all of which are closely linked to the development inability of the business environment. Moreover, there has been analysed the influence of investments (GFCF) and real labour productivity (LP) on gross domestic product (GDP) by applying the prospective Forward method in the SPSS statistical program, demonstrating that the business environment is a factor of influence in the economic growth of a country.*

**Keywords:** fiscal policy; real labour productivity; financial crisis; emigration; tax burden; business environment.

**JEL classification:** E62; E24; G01; F22; H20; M20.

### 1. Introduction

The financial crisis, which had its origin in the United States of America, began in Europe in the last quarter of 2007. This had a clear impact on both social life and the entire economic environment. The lack of political initiative and the ineffectiveness of anti-crisis fiscal policies have generated an unfavourable situation for an immediate recovery, thus affecting the economy of countries for a long time. The post-crisis period is defined by the emigration of a large population number towards countries that were recognized as protective social centres, but also by the demobilizing impact on the business environment. These economic and social aspects will be analysed in the present paper. It will be considered to study the interdependence between the emigration of the population, the economic growth and the business environment, starting from the hypothesis that there is a circuit generated by the financial crisis. The diminishing of the gross domestic product determines the emigration of the population, and this, in turn, has an impact on the business environment. This circuit will also close by affecting the gross domestic product. Consideration will be given to identify the effects of the financial crisis and how they have governed fiscal policies for economic recovery by submitting a detailed analysis of a sample of five developed countries and five emerging countries. To better capture the economic and fiscal implications in the

post-crisis period, this article is structured as follows: Section 2 Literature Review, Section 3 The impact of the financial crisis on the socio-economic environment, Section 4 Conclusions, followed by References.

## **2. Literature review**

The impact of the crisis on the social life aspects, as well as on the economy has generated a wide range of polemics about identifying the main determining causes and recovery levers through the implementation of favourable fiscal policies. Analysing the impact of emigration on the economic growth in Eastern Europe, Atoyán et al. (2016) demonstrated that “net emigration has been associated with higher social spending in Baltics and SEE countries in relation to GDP”. Farris (2015) studied the association between the slowdown in the economic growth and the negative impact of the emigrant labour in the low-skilled jobs. Cordero and Simón (2015) analysed the impact of the economic crisis on democracy, also taking into account the implications of the democratic institutions, pointing out that “perceptions of the state of the economy have an impact both on satisfaction with and support for democracy, and, secondly, that citizens’ support for democracy is greater in bailed-out countries”. The effects of the financial crisis in 2008 also had repercussions on the private business environment, so Lins et al. (2017) performed an analysis of the performance of the enterprises taking into account the assessment of their share capital. An analysis on the largest corporations in the Forbes 2000 Global List, based in Europe, was carried out by Raźniak and Winiarczyk-Raźniak (2015), surprising the changes in their financial performance following the financial crisis from 2008.

## **3. The impact of the financial crisis on the socio-economic environment**

The financial crisis that diverted on European countries in the last quarter of 2007 also had repercussions on individuals. The unfavourable economic environment favoured the exodus of the population to the developed countries, which offered financial stability up to meeting of the personal needs. At European Union level, in 2008 the largest population exodus was present in Romania, namely 300.465 people, followed at a significant difference by Germany with 174.759 persons and Poland with 67.329 persons. The large number of emigrants is visible until the end of the analysed years in these three countries. Within the nine years under review, the exodus of the population of Poland reached values close to those of Romania, with a difference of only 10.414 people, becoming the second country at the level of the European Union in terms of the increased number of people which leaved the origin country. Romania has reached the threshold of almost two million emigrants, followed by Poland and Germany by analysing the total population that emigrated from the residence country.

In order to identify the effects of the financial crisis on economic growth, and more specifically, on the development of the business environment, as an extension to the effects of the crisis on social life, the prospective – Forward procedure was applied. The basic condition for a model to be retained in the analysis is that  $\text{Sig} < \alpha$  (0.05). Table 1 shows the sig. value of the model for each country, as follows:

Table 1: Sig. value of the model by country

Dependent variable (GDP)	Independent variables Sig.	
	GFCF	LP
Romania	0.000	
Poland		0.000
Slovakia		0.000
Estonia	0.003	
Lithuania	0.000	
Germany	0.000	
Netherlands		0.000
Italy	0.000	
Sweden		0.000
Denmark	0.000	

Source: Own calculation in SPSS software

The model did not exclude any variables for Romania and Lithuania, being accepted at a sig. value of 0.000. The situation is the same in Estonia, where the sig. value is 0.003. The model rejected the independent variable GFCF, accepting only the LP variable at a sig. value of 0.000, in the case of Poland and Slovakia. Regarding the developed countries, Italy and Denmark, the model accepted both variables, GFCF and LP at a sig. value of 0.000. The model proposed for the Netherlands and Sweden rejected the GFCF variable, accepting only the LP variable, as shown in *Table 1*. Germany is an exception among the developed countries. The LP variable was rejected and only the GFCF variable was accepted at a sig. value of 0.000. These results can be transposed by a mutual influence between the studied variables. The financial crisis that affected the entire economic activity had an impact both on investments and on the real labour productivity. There was a decrease in the value of investments and implicitly in productivity from 2008 up to 2013-2014, also influencing the real gross domestic product. In countries such as Slovakia, the Netherlands and Sweden, the determination of the model based on the GDP dependent variable and the LP independent variable reveals a possible link with the lowest value of the population exodus. Thus, a small number of emigrants represent, in fact, a growing active population in the origin country involved in the economic sectors of the state. Since the results identified in Germany only indicated the model comprised from the GDP and GFCF variables, it can be argued that the technology led to an increase in investments, thus explaining the variation of gross domestic product and the exclusion of real labour productivity from the analysis.

#### 4. Conclusions

Analysing the economic and fiscal implications in the post-crisis period, a significant influence was brought about by the individuals of the society. The aspects of the social life will permanently govern the economic development of a country. Migration has had a significant impact on the economic growth, being identified a distorted increase in the gross domestic product. This increase was mainly due to the social security

contributions resulting from the exodus of active population in the origin country, so the income came from the host country. In countries with a large number of emigrants, the highest real GDP growth was seen in 2016 compared to 2008. In Poland, the real GDP grew by 27% in 2008 compared to 2016 and in Romania by 11%. Moreover, the exodus of the active population generated an increase in the share of social security contributions in GDP. In Romania, a major increase in social security contributions was identified from 7.3% in 2008 to 9% in 2009 and in Lithuania from 7.3% to 9.5%. The situation is identical in the other developed countries as well as in the emerging countries under analysis.

The business environment was another component of the economy affected by the financial crisis. The use of the macroeconomic indicators in analysing the effects of the shock which origin was outside the European space, contributed to the creation of an overall view. More specifically, it was concluded that each country surveyed, regardless of the degree of economic development, was affected by the financial crisis. This may be due to defective fiscal policies that were not able to rebalance the economic activity in the short term, nor in the long run.

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